Final report

Review of the state of farming finance and challenges faced

8 July 2025

YORK & NORTH YORKSHIRE COMBINED AUTHORITY

Review of the state of farming finance and challenges faced

Final report

For the York and North Yorkshire Combined Authority

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Foreword from Mayor David Skaith

There is nothing more quintessential to York and North Yorkshire than farming. Our region's rich agricultural heritage has shaped market towns, inspired globally recognised names like James Herriot, and most importantly, been at the forefront of feeding the nation.

Much has changed since All Creatures Great and Small was first published, but the spirit of those stories still rings true. Farming remains more than a business. It is a way of life, central to our rural communities and essential to our nation's food security.

As Mayor of York and North Yorkshire, a region which is two-thirds agricultural land and home to almost 7,000 commercial farms, I have a responsibility to support our farmers and help them thrive.

With that in mind, I commissioned this report to provide a full and honest assessment of farm finances and the challenges facing our farming communities.

This report is presented in full, with no edits or omissions. The truth may be difficult, but we must confront it in order to move forward.

The findings are sobering. National policy changes, the impacts of climate change, Brexit, the rising cost of living, and increasing concerns around mental and physical health have all taken a toll on farms and farmers in our region.

Despite the challenges, there are also opportunities. I believe in the potential of our farms and farmers. Farmers don't want a handout, but sometimes they need a helping hand.

With the right support, designed with farmers and not imposed upon them, we can improve the financial outlook of more farms across the region. Making them more resilient to pressures.

The report makes recommendations, and I am committed to working with the Grow Yorkshire Steering Group and others to explore how best to put them into action for the benefit of York and North Yorkshire.

I'd like to thank Strutt and Parker for their diligent work completing this report, the Grow Yorkshire Steering Board, comprising representatives from the NFU, CLA, Yorkshire Agricultural Society, North York Moors National Park Authority, North Yorkshire Council and the officers at the Combined Authority who have worked tirelessly on this report.

Introduction

Farming in the UK, including York and North Yorkshire (YNY), has been undergoing a significant transition in recent years. Some of the challenges and impacts were initiated by Brexit and the agricultural transition it prompted has occurred alongside growing pressure for agriculture to reduce greenhouse gas emissions and support nature recovery, both of which are becoming more time critical and, if delayed, more difficult to achieve.

Nationally, surveys identify farmers and the farming sector as feeling under pressure and challenged. Steve Reed, the Secretary of State for the Department of the Environment, Food and Rural Affairs (Defra), characterised it at the 2025 Oxford Farming Conference as: "The straws are piling up and up – and the camel's back is close to breaking."

The profitability of farm businesses has been exceptionally volatile in recent years, ranging from profitable years for some sectors to exceptionally low profits (if any) in others. That volatility is increasing with climate change (and will get more severe) and the withdrawal of Basic Payments, which had a smoothing and under-writing effect on profits.

There is also a wide difference in profitability between different types of farm and between the high performers, medium and low performers within farm types. Top performing farmers earn, on average, over £100,000 more per year than the other 75% of farms. This will become even more important as Basic Payments are phased out, the weather becomes more volatile and the sector faces the additional cost of paying IHT liabilities.

Aims and objectives

The aim of this report is to enable YNYCA to better understand the current state and challenges of farming in York and North Yorkshire (YNY) and to develop a strategic approach to supporting the farming sector to become more economically, socially, and environmentally sustainable.

The objectives are to:

1. Evaluate the current financial sustainability of farm businesses in YNY, identifying cost pressures and the proportion of farm business income derived from food production, diversification activities and government-funding (subsidies).

2. Identify key pressures and challenges currently facing farm businesses in YNY, assessing the total financial implications of these pressures and challenges for farm businesses. Evaluate how key pressures and challenges are impacting farm business resilience.

3. Assess the potential impact and scope of the proposed changes to inheritance tax on farm businesses in YNY and evaluate the wider impacts on allied sectors.

4. Develop a strategic approach that can be delivered at a regional level to support the resilience of farm businesses in YNY, identifying opportunities for improving farm business resilience including practical initiatives, co-designed alongside the farming sector. Consider the cost implications and barriers to implementing improvements.

Methodology and tasks

This project is divided into two parts. Part 1 is to assess the current financial sustainability, pressures and challenges, and Part 2 is to develop a strategic approach:

Part 1: Assessment of the current state of farming in York and North Yorkshire (YNY)

a. Evaluate financial state of farm businesses

b. Identify key pressures, challenges and impacts

Part 2: The strategic approach for enabling farm business resilience in YNY

c. Opportunities for resilience

d. Cost and barriers to enabling resilienc

Definitions

Resilience

For the purposes of this report, resilience is defined as 'the capacity to bounce back after or in shock', as used by the Just in Case: narrowing the UK civil food resilience gap report[1].

Performance

Performance can be measured in a range of ways, including return on capital employed, increase in capital net worth and the efficiency of generating income from each unit of input. As this project is focused on current financial sustainability, return on turnover has been chosen as the main performance measure.

This is defined as the ratio of income generated by an activity divided by the costs of generating it, so it is a measure of economic efficiency of a business. It shows the ability to transform inputs into outputs.

It is also one of the main measures used by the Government's Farm Business Survey (FBS) to categorise farm business performance; the survey puts farms into economic performance bands. It assumes that the higher the ratio of economic output or income (which is mainly sales revenue) to inputs (the costs of generating the output), the higher the economic efficiency and performance. The bands used by the FBS are the average of each of the following performance bands:

- Low 25% farms – the bottom 25% of economic performers.
- Medium 50% farms.
- High 25% farms.

For example, the table below shows the data and ratios for cereal farms in England over the five-year period of 2019/20 to 2023/24. The higher ratio (1.37) shows the ability of high 25% farms to transform inputs (costs) into outputs (income).

	Low 25% farms	Medium 50% farms	High 25% farms
Income	£130,040	£281,580	£397,400
Costs	£165,900	£275,300	£290,440
Profit	£-35,080	£7,360	£106,820
Return on income ratio (Income divided by costs)	**0.78**	**1.02**	**1.37**

[1] Tim Lang, with Natalie Neumann and Antony So (2025), Just in Case: narrowing the UK civil food resilience gap. National Preparedness Commission, London.

The numbers of farms and area

There are almost 7,000 commercial farms in the York and North Yorkshire area, which is just over 650,000 hectares (or 2,500 square miles). About a third of the land (224,000 hectares) is tenanted / rented on agreements of over one year[2]. Many farms have a combination of owned and rented land so the proportion of farms with rented land will be higher (and their performance is captured in the data used in later sections).

Over 3,000 are grazing livestock farms and they cover 40% of the area. 2,780 are cereals, general cropping and mixed farms, which cover 47% of the area. There are 739 specialist livestock farms (dairy, pigs and poultry), which cover 10% of the area.

Figure A: Number of commercial farms in the York and North Yorkshire area by farm type and by National Parks and National Landscapes

Number of commercial farms	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
York	69	61	0	67	0	0	0	27	0	245
North Yorkshire Council	998	1,024	320	1,411	1,646	268	151	602	80	6,701
York & North Yorkshire	1,067	1,085	320	1,478	1,646	268	151	629	80	6,946
North York Moors National Park	60	146	39	159	434	21	10	82	8	983
Yorkshire Dales National Park	0	121	65	20	865	5	0	15	0	1,150
Forest of Bowland Nat Landscape	0	79	84	46	444	0	0	16	9	711
Howardian Hills National Landscape	36	34	0	44	0	11	0	26	0	163
Nidderdale National Landscape	8	80	41	70	287	10	0	27	0	557
National Parks & Nat Landscapes	104	460	229	339	2,030	47	10	166	17	3,564

NB Numbers of farms may not sum to total figures due to suppression of the original source data for some farm types.

[2] Source: Defra. Numbers of commercial holdings and areas by farm type and farm size. June 2022. https://www.gov.uk/government/statistical-data-sets/structure-of-the-agricultural-industry-in-england-and-the-uk-at-june (county / unitary authority file).

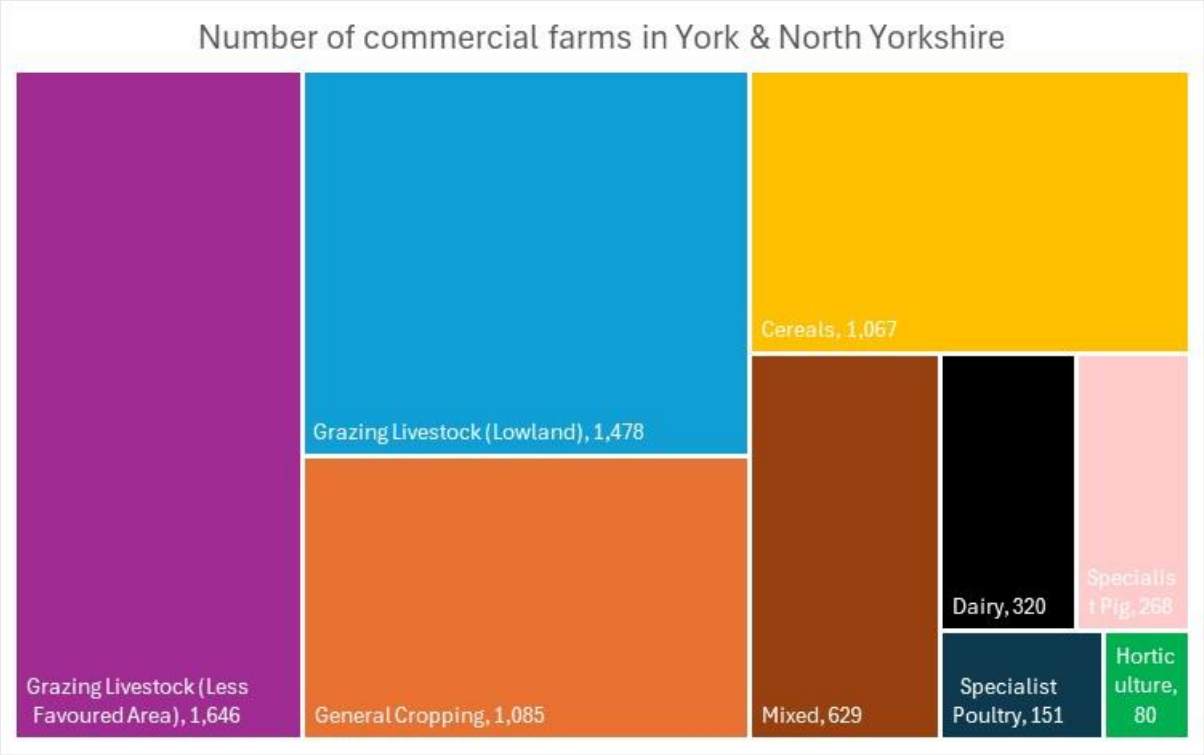

Figure 1: Number of commercial farms in York and North Yorkshire

Figure B: Area of commercial farms in the York and North Yorkshire area by farm type and by National Parks and National Landscapes

Number of commercial farms	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
York	7,785	3,948	0	2,225	0	0	0	3,123	0	17,664
North Yorkshire Council	132,450	92,183	43,459	53,330	206,712	19,355	5,046	72,132	8,347	634,074
York & North Yorkshire	140,235	96,130	43,459	55,555	206,712	19,355	5,046	75,254	8,347	651,738

North York Moors National Park	Data not available	85,899
Yorkshire Dales National Park		165,794
Forest of Bowland Nat Landscape		67,606
Howardian Hills National Landscape		16,874
Nidderdale National Landscape		50,951
National Parks & Nat Landscapes	Data not available	387,124

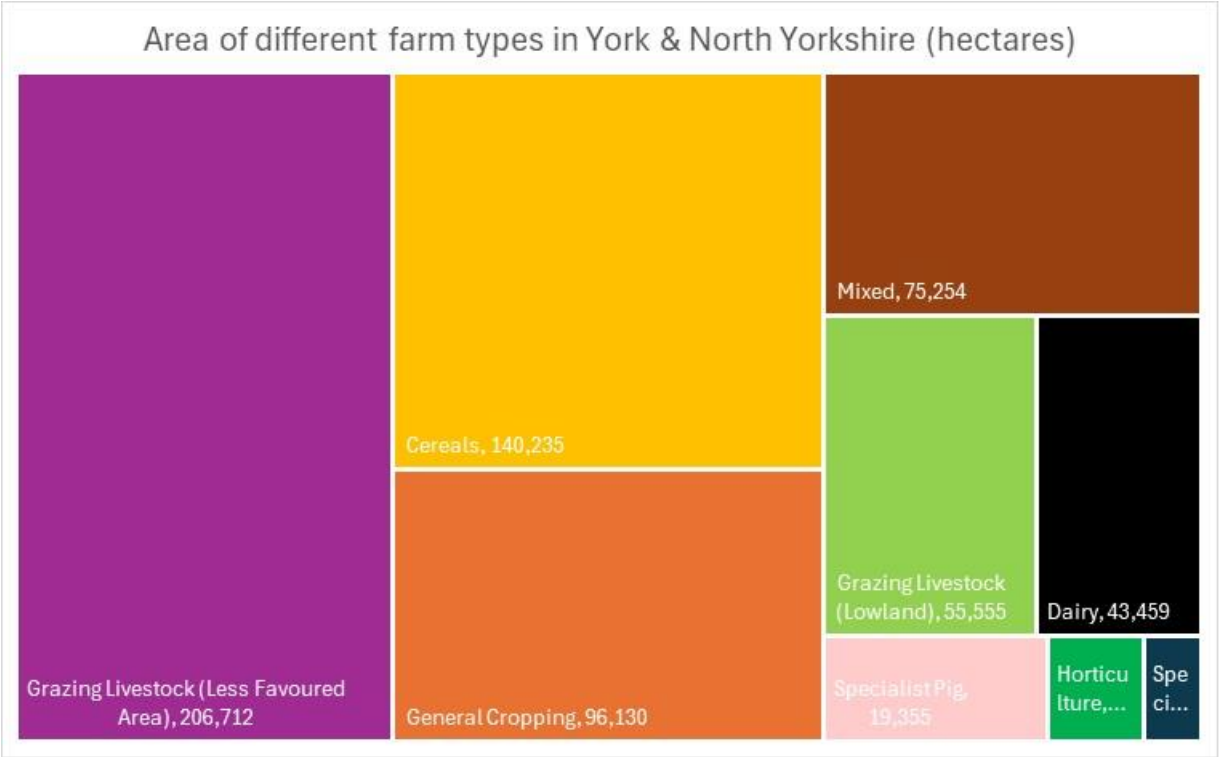

Figure 2: Area of different farm types in York and North Yorkshire (hectares)

Part 1: The financial sustainability of different types of farm

To assess the financial performance and resilience of the farming sector in the YNY area as a whole, the study has analysed a number of scenarios:

- **Baseline** – this uses Farm Business Survey data. A five-year average has been applied to reduce the effects of individual years on the data. The data is for 2019/20 – 2023/24, which is the most recent period for which data is available. However, this data is likely to over state profitability as it includes years in which Basic Payments were much higher than they are now.
- **No Basic Payments** – as the payments will be phased out by 2027/28[3], the study has analysed the baseline data with Basic Payments removed completely.
- **No Basic Payments and no tax planning for inheritance tax (IHT)** – this scenario is a worst-case scenario and assumes that farmers do not undertake any tax planning measures to reduce their IHT liabilities. It is based on relief from IHT on agricultural assets of only £1m (where for a couple £2m will be available) and on only £350,000 nil rate allowance available (where up to £850,000 could be available to a couple). The potential IHT liability is a one-off capital sum (although it is payable over 10 years), but for illustrative purposes we have spread it over 25 years, which is the typical length of a generation, so that its long-term annual impact on profits can be seen.
- **No Basic Payments and tax planning for inheritance tax (IHT)** – this differs from the previous scenario as the study has assumed that basic tax planning has taken place to reduce the IHT liability.

For each scenario, the farm study provides the average total business profits for each farm type and for each performance band[4], and shading shows where the profits are below economically sustainable levels. The total profits for each farm type are shown to show relative contribution to total profits in YNY.

The study also provides the proportion, number and area of farms that are making economically unsustainable profits.

Scenario one: Baseline

Over half of the farms (3,598) do not make economically sustainable profits; this includes all farms in the low 25% of performance band and some of the medium 50% farms (see shaded boxes). They cover 38% of the farmed area, the majority of which is grazing in the Less Favoured Area.

It is important to note that despite not making sustainable profits, a limited number of farms are sold due to the lack of profits – either voluntarily by the farmer or by being forced to sell by creditors or lenders[5]. This is possible as some people are willing to live on minimal personal drawings or rely on income generated off-farm to help make ends meet[6].

In total, farms in YNY generate a profit of around £387m – mostly generated by the cereals, general cropping and dairy farms. It represents an estimated return on the net worth of the farming business[7] of 2.1% per year, which is typical of farming nationally.

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[3] See https://www.gov.uk/guidance/basic-payment-scheme#full-publication-update-history .

[4] NB The figures are the average for each performance band. For example, for the low 25% farms, the average is the average for that band, so roughly the equivalent of the 12th farmer out of 100. The average for the top 25% is the rough equivalent of the 87th farmer of the 100.

[5] Based on data from the Strutt & Parker Farmland Database, which includes publicly marketed sales of farmland over 100 acres, about 3,200 hectares have been sold per year in Yorkshire and Humber over the past 20 years (2005 – 2024), which is considerably less than 1% of the area. Also, our farm agents who cover Yorkshire say that they are not aware of many sales due to lack of profits, whether publicly or privately marketed.

[6] Over 70% of farms have some off-farm income, with the median for all farm types being £12,300 per year. Source: Off-Farm Income in England: 2023/24.

[7] The net worth of all of the businesses, including farm houses, is £18.1bn.

Figure C: Baseline scenario

	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
Overall business profits by performance band (£ per farm)										
Low 25%	-5,240	-15,260	-5,600	-11,560	-5,940	-21,460	-90,840	-15,220	-9,200	-11,320
Medium 50%	75,120	106,780	111,260	14,800	24,540	37,600	97,120	28,080	25,960	47,800
High 25%	205,100	211,880	268,980	62,700	74,640	182,480	321,900	143,180	193,760	176,320
Total overall business profits - by farm type	93,389,175	111,261,325	38,872,000	29,833,430	48,466,470	15,826,740	16,055,075	28,952,870	4,729,600	387,386,685
Proportion of farms making unsustainable profits (approx)	25%	25%	25%	75%	75%	25%	25%	75%	75%	52%
Number of farms making unsust profits (approx)	267	271	80	1,109	1,235	67	38	472	60	3,598
Proportion of total area of farms making unsust profits (approx)										38%
Area of farms making unsust profits (approx)	21,506	13,658	7,731	34,170	115,973	1,529	742	47,829	5,692	248,831
Total overall business profits - low 25% - by farm type	-1,397,770	-4,139,275	-448,000	-4,271,420	-2,444,310	-1,437,820	-3,429,210	-2,393,345	-184,000	-20,145,150
Total overall business profits - med 50% - by farm type	40,076,520	57,928,150	17,801,600	10,937,200	20,196,420	5,038,400	7,332,560	8,831,160	1,038,400	169,180,410
Total overall business profits - high 25% - by farm type	54,710,425	57,472,450	21,518,400	23,167,650	30,714,360	12,226,160	12,151,725	22,515,055	3,875,200	238,351,425
Area of farms making unsust profits (approx) - low 25%	21,506	13,658	7,731	8,368	25,537	1,529	742	11,348	895	91,314
Area of farms making unsust profits (approx) - med 50%	0	0	0	25,802	90,436	0	0	36,482	4,797	157,517
Area of farms making unsust profits (approx) - high 25%	0	0	0	0	0	0	0	0	0	0

Scenario two: No Basic Payments

The Basic Payment Scheme (BPS) was a government subsidy paid yearly to UK farmers based on the amount of land they farmed. Basic Payments have historically been an important income support payment, especially for lower and middling performing businesses. Removing them from the baseline scenario reduces the total profit generated in the area to 56% of the baseline amount (now £216m) and drops more farms into economically unsustainable profit levels (now 3,732 farms, which is 54% of the total number (up from 52% in the baseline)). The farms that drop into unsustainable profit levels are shown by the darker red shading. The greatest effect is on the middle 50% farms. For the YNY area, the return on capital employed falls to 1.2% (from the baseline's 2.1%).

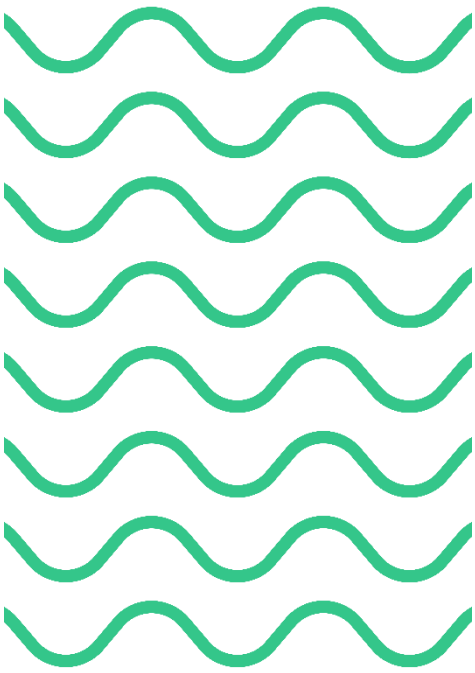


Figure D: No Basic Payments scenario

	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
Overall business profits by performance band (£ per farm)										
Low 25%	-25,640	-36,000	-23,240	-19,420	-16,740	-25,800	-98,000	-30,880	-10,440	-22,260
Medium 50%	39,000	65,820	83,680	1,100	3,240	17,280	85,180	20	21,840	23,180
High 25%	159,180	158,760	239,620	40,540	35,320	167,060	303,300	100,280	189,920	136,200
Total overall business profits - by farm type	56,428,295	69,006,000	30,699,200	8,616,740	10,312,190	11,779,940	14,181,165	10,919,440	4,463,200	216,406,170
Proportion of farms making unsustainable profits (approx)	25%	25%	25%	75%	75%	75%	25%	75%	75%	54%
Number of farms making unsust profits (approx)	267	271	80	1,109	1,235	201	38	472	60	3,732
Area of farms making unsust profits (approx)	21,506	13,658	7,731	34,170	115,973	14,526	742	47,829	5,692	261,827
Total overall business profits - low 25% - by farm type	-6,839,470	-9,765,000	-1,859,200	-7,175,690	-6,888,510	-1,728,600	-3,699,500	-4,855,880	-208,800	-43,020,650
Total overall business profits - med 50% - by farm type	20,806,500	35,707,350	13,388,800	812,900	2,666,520	2,315,520	6,431,090	6,290	873,600	83,008,570
Total overall business profits - high 25% - by farm type	42,461,265	43,063,650	19,169,600	14,979,530	14,534,180	11,193,020	11,449,575	15,769,030	3,798,400	176,418,250
Area of farms making unsust profits (approx) - low 25%	21,506	13,658	7,731	8,368	25,537	1,529	742	11,348	895	91,314
Area of farms making unsust profits (approx) - med 50%	0	0	0	25,802	90,436	12,996	0	36,482	4,797	170,513
Area of farms making unsust profits (approx) - high 25%	0	0	0	0	0	0	0	0	0	0

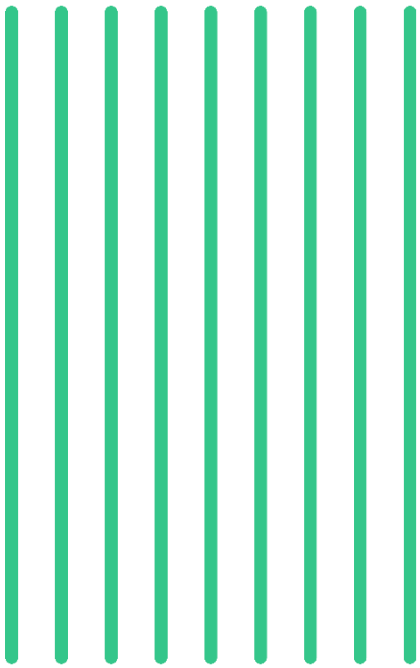
Scenario three: No Basic Payments and no tax planning for inheritance tax (IHT)

At the Autumn Budget on 30th October 2024, the Government proposed changes to agricultural property relief (APR) and business property relief (BPR) from IHT. The changes mean that agricultural assets are liable to IHT, but with 100% relief on the first £1 million of agricultural and business property[8] and with 50% relief from the tax (so an effective rate of up to 20%, not the standard 40%)[9]. Previously, most farm assets were not subject to the tax as they had 100% APR and BPR relief.

The potential liability for IHT of individual farms is highly variable. It is affected by the net worth of the farm and so varies greatly by both farm type and performance band (as lower performing farms tend to be smaller). Without taking any tax planning measures[10], the greatest liabilities are on cereals, general cropping and mixed farms, as they tend to be the largest and have higher value assets[11]. To calculate the impact on farm profits, the study has assumed that the potential liability is spread over 25 years, a typical period of a generation. If spread over a shorter period, the impact on profits will be higher.

The total profit generated in the area is reduced to £144m, which is 37% of the baseline amount and more farms do not produce economically sustainable profit levels (now 5,046 farms, which is 73% of the total number (up from 52% in the baseline) and they cover 68% of the YNY area (which has increased as all grazing livestock farms now fall into this category, as well as the medium 50% of cereals farms).

The total potential IHT liability for the YNY area is £1.8bn, which is 10% of the farms' net worth. As stated above, the cereals, general cropping and mixed farms pay the most (75% of the total).



[8] NB The £1m relief is available per person owning the farming assets, not per business as IHT is a personal and not business tax. Reliefs available to other tax payers such as the nil rate band and residential nil rate band are also available to people owning farming businesses.

[9] Source: What are the changes to agricultural property relief? - GOV.UK.

[10] Or transferring the assets with no IHT liability using lifetime transfers.

[11] NB: The potential IHT liability figures in the bottom two rows of the table above show the estimated liability for the average sized farm of each type of farm. To calculate the effect on different performance bands, the liability has been adjusted to take into account the differences in farm size of the different performance bands e.g., low 25% farms are smaller than high 25% ones, so the low ones have a lower liability.

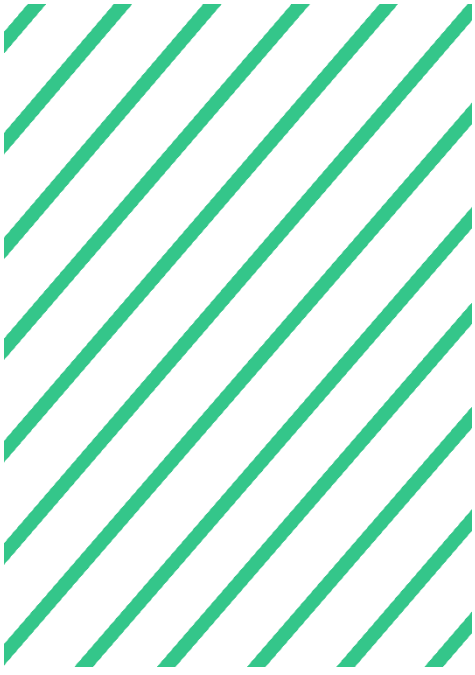
Figure E: No Basic Payments and no tax planning for inheritance tax (IHT) scenario

	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
Overall business profits by performance band (£ per farm)										
Low 25%	-40,045	-46,913	-30,735	-22,244	-17,863	-29,270	-101,179	-39,237	-11,355	-28,041
Medium 50%	14,630	44,899	72,338	-3,253	1,252	2,538	79,572	-13,414	19,389	11,340
High 25%	128,706	134,872	227,721	33,363	31,389	156,566	296,217	80,363	187,342	117,670
Total overall business profits - by farm type	31,455,462	48,216,245	27,332,949	1,704,731	6,596,507	8,868,941	13,370,321	2,248,232	4,295,282	144,088,670
Proportion of farms making unsustainable profits (approx)	75%	25%	25%	100%	100%	75%	25%	75%	75%	73%
Number of farms making unsust profits (approx)	800	271	80	1,478	1,646	201	38	472	60	5,046
Area of farms making unsust profits (approx)	94,274	13,658	7,731	55,439	205,384	14,526	742	47,829	5,692	445,275
Total overall business profits - low 25% - by farm type	-10,681,900	-12,725,285	-2,458,800	-8,219,012	-7,350,513	-1,961,085	-3,819,518	-6,170,072	-227,104	-53,613,289
Total overall business profits - med 50% - by farm type	7,804,996	24,357,474	11,574,081	-2,404,010	1,030,396	340,099	6,007,665	-4,218,775	775,555	45,267,482
Total overall business profits - high 25% - by farm type	34,332,365	36,584,056	18,217,668	12,327,753	12,916,623	10,489,928	11,182,174	12,637,078	3,746,831	152,434,477
Area of farms making unsust profits (approx) - low 25%	21,506	13,658	7,731	8,368	25,537	1,529	742	11,348	895	91,314
Area of farms making unsust profits (approx) - med 50%	72,768	0	0	25,802	90,436	12,996	0	36,482	4,797	243,281
Area of farms making unsust profits (approx) - high 25%	0	0	0	21,269	89,410	0	0	0	0	110,679
Net worth including farmhouse (£ total per farm)	4,285,300	3,750,500	2,666,600	1,935,800	1,634,000	2,722,200	2,025,600	3,082,000	1,616,600	2,850,900
Potential pre-tax planning IHT liability (£ total per farm)	587,060	480,100	263,320	117,160	56,800	274,440	135,120	346,400	53,320	300,180
Potential pre-tax planning IHT liability (£ annual per farm)	23,482	19,204	10,533	4,686	2,272	10,978	5,405	13,856	2,133	12,007

Scenario 4: No Basic Payments and tax planning for inheritance tax (IHT)

Tax planning significantly reduces the potential IHT liability, more than halving it (to £705m or 4% of the farms' net worth (down from 10%)). However, the tax payable still has an effect on profitability and so estimated total business profits for the YNY area are 49% of the baseline level (which is lower than the 56% in the no Basic Payments scenario, and is largely dependent on profits from the high 25% farms)[12]

In this scenario, 61% of the area's farms are not making economically sustainable profits (up from 54% in the no Basic Payments scenario) and they cover 51% of the YNY area (up from 40% in the no Basic Payments scenario). The low 25% farms become even more unprofitable, with the higher losses becoming less 'coverable' by off-farm earnings. For the medium 50% of farms, six of the nine types of farm slip into unsustainable levels of profits (up from five in the no Basic Payments scenario). The return on capital employed for the YNY area falls to 1.0% (from the baseline's 2.1% and the no Basic Payments scenario's 1.2%).



[12] NB The liability can be reduced further by transferring the assets, with no IHT liability, using lifetime transfers.

Figure F: No Basic Payments and tax planning for inheritance tax (IHT) scenario

	Cereals	General Cropping	Dairy	Grazing Livestock (Lowland)	Grazing Livestock (Less Favoured Area)	Specialist Pig	Specialist Poultry	Mixed	Horticulture	All farm types
Overall business profits by performance band (£ per farm)										
Low 25%	-33,652	-40,896	-23,788	-19,635	-16,740	-26,616	-98,000	-34,172	-10,440	-24,435
Medium 50%	25,446	56,435	82,851	769	3,240	13,814	85,180	-5,272	21,840	18,726
High 25%	142,231	148,044	238,750	39,994	35,320	164,593	303,300	92,435	189,920	129,230
Total overall business profits - by farm type	42,538,827	59,679,688	30,453,199	8,090,568	10,312,190	11,095,626	14,181,165	7,503,813	4,463,200	188,318,276
Proportion of farms making unsustainable profits (approx)	75%	25%	25%	75%	75%	75%	25%	75%	75%	61%
Number of farms making unsust profits (approx)	800	271	80	1,109	1,235	201	38	472	60	4,265
Area of farms making unsust profits (approx)	94,274	13,658	7,731	34,170	115,973	14,526	742	47,829	5,692	334,595
Total overall business profits - low 25% - by farm type	-8,976,564	-11,092,988	-1,903,018	-7,255,112	-6,888,510	-1,783,252	-3,699,500	-5,373,546	-208,800	-47,181,291
Total overall business profits - med 50% - by farm type	13,575,283	30,615,780	13,256,183	568,015	2,666,520	1,851,140	6,431,090	-1,657,982	873,600	68,179,630
Total overall business profits - high 25% - by farm type	37,940,108	40,156,896	19,100,034	14,777,665	14,534,180	11,027,738	11,449,575	14,535,340	3,798,400	167,319,936
Area of farms making unsust profits (approx) - low 25%	21,506	13,658	7,731	8,368	25,537	1,529	742	11,348	895	91,314
Area of farms making unsust profits (approx) - med 50%	72,768	0	0	25,802	90,436	12,996	0	36,482	4,797	243,281
Area of farms making unsust profits (approx) - high 25%	0	0	0	0	0	0	0	0	0	0
Net worth including farm house (£ total per farm)	4,285,300	3,750,500	2,666,600	1,935,800	1,634,000	2,722,200	2,025,600	3,082,000	1,616,600	2,850,900
Potential pre-tax planning IHT liability (£ total per farm)	326,513	215,374	19,243	8,919	0	64,515	0	136,449	0	112,914
Potential pre-tax planning IHT liability (£ annual per farm)	13,061	8,615	770	357	0	2,581	0	5,458	0	4,517

The potential impact of climate change

This has not been modelled as a scenario as it is difficult to estimate and is likely to have different effects on different farm types. There are, however, a few broad estimates of the impact that can provide some insight.

The Energy and Climate Intelligence Unit (ECIU) stated that the effect of the wet 2023 winter weather followed by the dry 2024 summer was that the harvest for wheat, winter and spring barley, oats and oilseed rape was down by 15% on 2023 and 18% on the five-year average, with increases in spring barley and oat production failing to offset major declines in the other crops. The authors estimate that the shortfall in production, compared with 2023, could result in the farmers losing £600m in revenue on the five crops covered by their data[13][14].

The ECIU said that an analysis by World Weather Attribution (WWA) found that storm rainfall was made 20% heavier by climate change, and that the volume of rainfall between October 2023 and March 2024 was made four times more likely[15].

The ECIU said that the wet winter was made ten times more likely by climate change. The number of days with exceptional rainfall has increased by 20% over the past decade compared with the historical average. Some of these effects of climate change can be reduced by improving soil health, but not all.

If a 20% reduction in output across all farm types is estimated as a result of climate change, it would reduce the profits from agriculture in YNY from about £110m a year to a loss of -£322m; a 10% reduction would reduce profits to a -£106m loss.

In addition, YNYCA has commissioned a report on climate adaptation from ADAS. It identified the following current impacts for food and farming[16]:

Figure ABC Climate change impacts for food and farming

Agriculture

- Water shortages affecting agricultural practices (eg irrigation and livestock health).
- Risks to agricultural productivity from extreme events and changing climatic conditions (including temperature change, water scarcity, wildfire, flooding, coastal erosion, wind and saline intrusion).
- Risk of river flooding of agricultural land impacting productivity (e.g. crop damage or loss) and the potential for contamination.
- Risks to agricultural crops & livestock health and productivity from pests, pathogens and invasive species, including viral and parasitic diseases.
- Risks to aquifers and agricultural land from sea level rise, saltwater intrusion, and Humber Estuary inundation.
- Risks to agricultural productivity from soil erosion.
- Risks of wildfires on or affecting agricultural land (e.g. arable crops).

Food security

- Risks to YNY region from imported food safety risks (e.g. potential contamination with mycotoxins, pesticides, Salmonella, etc.).
- Risks to food safety and food security.
- Risks to YNY region from reduced availability of safe and high-quality food due to climate change overseas (e.g. weather-related shocks to global food production and trade).

Opportunities

- Opportunities for agricultural productivity from changing climatic conditions (including temperature change, longer growing season, water availability, atmospheric CO2 concentrations etc.).
- Opportunities to diversify the agricultural economy.

[13] Source: https://eciu.net/media/press-releases/2024/confirmed-england-has-second-worst-harvest-on-record-with-fears-mounting-for-2025 .

[14] There is anecdotal evidence that some farmers in YNY are already changing their farming systems, including what they grow, due to the risks from climate change. This includes some potato farmers ceasing production.

[15] Source: https://www.worldweatherattribution.org/autumn-and-winter-storms-over-uk-and-ireland-are-becoming-wetter-due-to-climate-change/ .

[16] NB These impacts are subject to change. The report is not published yet but is expected to be in 2025.

The financial sustainability of different types of farm and the differences between low 25% performance farms and the top 25%

The previous section focused on the farm economics for YNY as an area. This section considers the performance of individual farms and tries to highlight reasons for the differences in financial performance within each type of farm.

The majority of data for this section is drawn from FBS with some commentary from our in-house farm business management team based on their experience.

About the data used

The data below are five-year averages from the FBS, which is a large survey of around 1,300-1,700 farms per year that is carried out for the Government. It is the largest and most consistent source of data that is available. Where figures are stated, they are five-year averages for 2019/2020 to 2023/24, which is the latest data available. Five-year averages have been used to remove some of the between year variation in commodity markets, farming inputs such as fertiliser, and weather that affects farming businesses.

Economic performance bands

The data has been analysed using economic performance bands (see above). They put farms into bands based on their ability to transform inputs into outputs, which is the economic basis of farming:

- Low 25% farms – the bottom 25% of economic performers.
- Medium 50% farms.
- High 25% farms.

Farm Business Income as the measure of overall farm business profitability

We have used Farm Business Income as the overall measure of business profit. It is a measure that the Government uses, and it represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders' capital invested in the farm business.

It is a general equivalent to financial net profit although, in practice, it will differ from the net profit shown in farms' annual accounts prepared by accountants as that is based on management accounting principles which value some elements differently (e.g., stocks of grain on the farm will be valued at market prices and depreciation is usually based on replacement cost).

Assessment of financial resilience

To provide an assessment of financial resilience, we have assumed that farms are not financially sustainable as a stand-alone business if they generate less than £34,500 of overall business profit. This figure is the median household income in the UK[17] and so is, to some extent, arbitrary but it also equates to a profit of around £250 hectare, which we consider to be the level required to support the owners of a farming business and allow them to reinvest in maintaining the land, buildings and machinery on a typical farm based on our professional experience.

The FBS does not collect data on other non-farm income that the farmer and their family earn, which in many cases supports farming businesses to continue to operate.

[17] Source: Average household income, UK: financial year ending 2023. Release date: 24 September 2024. https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2023.

Each farm type also includes a box on how the resilience of the farms might be increased, which is based on relevant literature and also the experience of our Yorkshire-based farming advisers.

Charts

The study has produced four charts for each of the farm types, which show the following:

- Top left – **Overall business profits by performance band (£ per farm)**

  This shows total farm business profits per farm from all sources (so including agriculture, agri-environment schemes, diversification and Basic Payments). The data is shown for a five-year period (2019/20 to 2023/24) and for the different performance bands (low 25%, medium 50% and high 25%). The dot shows the five-year average.

- Bottom left – **Profits by profit centre (£ per farm)**

- This chart shows the five-year average total farm business profits (the black dot), with profits broken down by source (agriculture, agri-environment schemes, diversification and Basic Payments). NB: The black dots show the same data as the dots in the chart above.

- Top right – **Overall business profits by performance band (£ per hectare)**

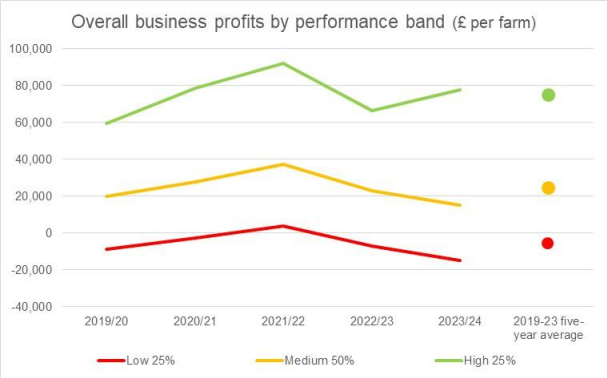
  This chart shows the same data as the top left chart but per hectare, not per farm. It is, again, the total farm business profits from all sources.

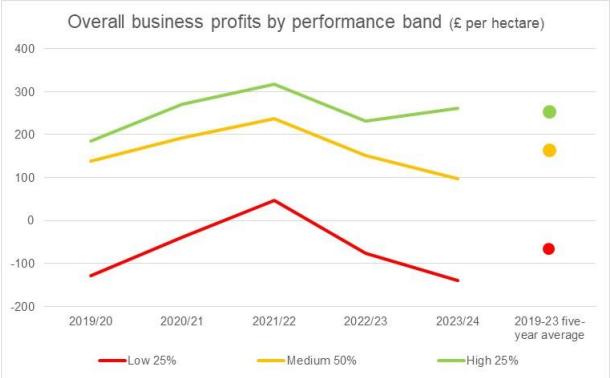
- Bottom right – **Agriculture output, costs and profit (£ per hectare)**

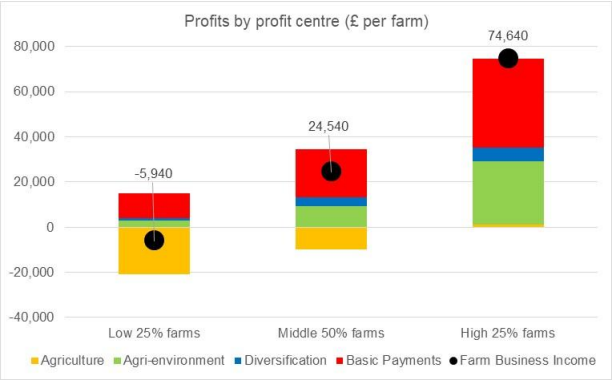
  As profits from agriculture are such an important performance differentiator for many types of farms, this chart breaks down this source of farm performance by output, costs and profits per hectare. The data is again based on five-year averages (2019/20 to 2023/24). The data is for agriculture only and does not include profits from agri-environment schemes, diversification and Basic Payments.

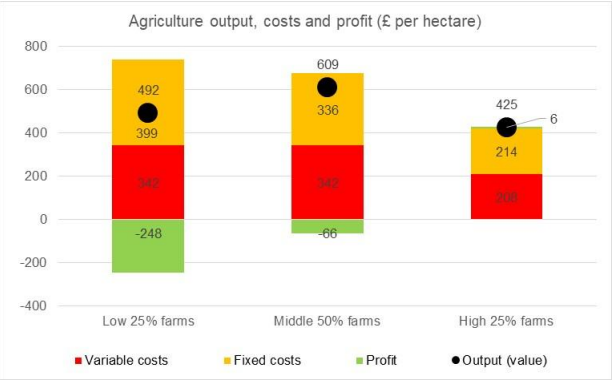
  Profits (the green block) are generated from output (the black dot) less variable and fixed costs (the red and amber blocks). NB: On this chart the black dot shows output (not profit as on the bottom left chart).

Examples of the charts are below, in this case for grazing livestock farms in Less Favoured Areas, and the detailed analysis for each farm type is in the separate annex document.









Summary of farm level analysis

There are a number of characteristics that differentiates low and high financial performance across all farm types. High performing farms have the following characteristics:

1. Generate much higher profits (or lower losses for some farm types) from agriculture than the lower performers.

2. The performance difference is due to cost management per unit of output produced. This includes both fixed and variable costs. Higher output accounts for 10 to 30% of higher profits in top-quartile farming businesses, lower costs contributing to 65 to 90%.

3. Higher performing farms also have higher value of output per hectare for some farm types.

These differences have been summarised in the table below.

It is important to note that although higher performing farms tend to be larger, it is arguably the enterprise size rather than farm size that is of greatest importance.

Profits from agri-environment schemes are only very important sources of income to grazing livestock farms. (NB: This does not mean that farms should not take part in environmental schemes. The schemes are crucial for supporting nature recovery with wildlife highly depleted in YNY[18], as it is in most farmed areas of England).

Profits from diversification can be important to farm business resilience, but they are generally not a significant differentiator between low and high performance.

Likewise Basic Payments are not a performance differentiator. However, they have been a very important source of profits for many farms in the past – particularly grazing livestock farms and also for lower performing farms, for which they have been a proportionately larger source of income.

Figure G: Reasons for differences in performance

	Importance to high profits				Importance to agricultural high performance		
	Agriculture	Agri-environment	Diversification	Basic Payments	Output	Costs	Other
Cereals	✓				✓	✓	
General cropping	✓				✓	✓	
Dairy	✓					✓	

[18] The Yorkshire Wildlife Trust produced the first ever region-wide State of Yorkshire's Nature report. State of Yorkshire's Nature | Yorkshire Wildlife Trust .

Grazing Livestock (Lowland)	✓	✓	✓	✓	✓	✓	
Grazing Livestock (Less Favoured Area)	✓	✓				✓	
Specialist pigs	✓				✓	✓	
Specialist poultry	✓					✓	
Mixed	✓		✓	✓	✓		
Horticulture	✓		✓		✓	✓	

The study has also summarised which performance bands generate economically sustainable levels of overall business profit (i.e., from all four sources). This is the same data that was presented in the previous section focused on the farm economics for YNY as an area.

Figure H: Farms making economically sustainable profit levels

	Baseline scenario			No Basic Payments scenario		
	Low 25%	Medium 50%	High 25%	Low 25%	Medium 50%	High 25%
Cereals	✗	✓	✓	✗	✓	✓
General cropping	✗	✓	✓	✗	✓	✓
Dairy	✗	✓	✓	✗	✓	✓
Grazing Livestock (Lowland)	✗	✗	✓	✗	✗	✓
Grazing Livestock (Less Favoured Area)	✗	✗	✓	✗	✗	✓
Specialist pigs	✗	✓	✓	✗	✗	✓
Specialist poultry	✗	✓	✓	✗	✓	✓
Mixed	✗	✗		✗	✗	✓
Horticulture	✗	✗	✓	✗	✗	✓

NB: The darker red shading shows where the assessment of sustainable profitability has changed from the baseline to the no Basic Payments scenario.

The greatest contributor to the economic resilience of farming is financial performance. The top performing farmers earn, on average, over £100,000 more per year than the other 75%, which will become even more important as Basic Payments are phased out, the weather becomes more volatile, and the sector faces the additional cost of paying IHT liabilities.

The fact that individual farmers do have control of many of factors that determine success was also highlighted by The Andersons Centre in its report[19] which concluded:

> *'Only 5% of factors affecting farm performance are out of the farmers' control, according to research. This suggests almost all the determinants of success are down to the individual; the*

[19] Source: https://ahdb.org.uk/knowledge-library/the-characteristics-of-high-performing-farms-in-the-uk.

decisions made on the farm and how they are implemented'.

It also found that farms with a smaller percentage of their costs as overheads are more profitable, across all farming sectors. The study identified a series of behaviours and traits of the top performers, which are listed below (in the order that The Andersons Centre placed them in):

1. *Minimise overhead costs.*
2. *Set goals and compile budgets.*
3. *Compare yourself with others and past performance and gather information.*
4. *Understand your market requirements and meet them.*
5. *Give each detail the attention it deserves.*
6. *Have a mindset for change and innovation.*
7. *Continually improve people management.*
8. *Specialise*[20].

Finally, it concluded that higher-performing farms are more resilient to change, and we concur. Their higher profits enable them to reinvest in their businesses and cope with changes such as the changes to Basic Payments and IHT more easily.

This is both one of the hardest and easiest changes to make in any business. If a manager wants to change and has the ability to do so, the performance of their business can be transformed. However, the converse is also true – if a manager whose business is not performing well does not want to (or see the need to) change, then their business performance is unlikely to improve.

Many of the behaviours and traits identified above can be adopted immediately and at no or little cost. Some of them require data and some may need advice, such as help to benchmark with others and understanding market requirements.

It is recommended that a very concise suite of information is put together and made available to all farming organisations in the YNY area. It should include a summary of The Andersons Centre report, comparison / benchmarking data for each type of farm and be delivered by trusted sources (advisers and top-performing farmers).

Farmer sentiment

A short survey was sent to farmers in the YNY area in April to early May. An on-line link was sent to mailing lists by the Yorkshire Agricultural Society, the National Farmers' Union (NFU) and by the Country Land and Business Association (CLA). Paper copies were also distributed at a number of farmer events and breakfast meetings.

104 responses were received, which is 1.5% of the 6,946 farmers in the area. It is therefore unlikely to be representative of all types of farm and performance level. The responses should therefore be treated as general indicators of the sector.

[20] The trait of 'specialise' may now be more nuanced. The Andersons Centre report was written in 2018 so before many of the effects of climate change became as apparent as now. Also, the report was largely (not entirely) focused on financial performance. There is a growing understanding of the importance of risk management (which it did cover in some detail) and of changing farming systems to try to reduce risk from changes in the weather, including through mixed farming, what are now called regenerative farming practices and the use of agri-environment scheme payments as low-risk, guaranteed payments. Agri-environment actions also help support ecosystems on farms, which can also help reduce risk (e.g., through providing habitats for crop pest predators, shading for livestock, habitats for pollinators, buffers to slow the flow of flood water).

Characteristics of the survey respondents

Over half of the respondents were owner occupiers. 15% were tenants and an additional 29% had both owned and rented land.

The majority of farmers responding to the survey had livestock (cattle, sheep) and 30% grew cereals. 13% produced milk and a further 13% produced pigs, poultry or fruit and vegetables.

40% of the respondents farmed in the lowlands and 44% in the uplands / moorland.

About 40% of the farmers farmed 100-300 acres, so typical for most types of farm in the region. 13% farmed less than 100 acres, and this included some of the pig and poultry producers, and about 50% farmed 300 acres or more, so large for the region.

The majority (86%) have an agri-environment scheme, with slightly more in the Sustainable Farming Incentive (SFI) than Countryside Stewardship (CS), but many in both schemes.

Farming generated the majority of farm business profits for just over 40% of the respondents. However, a third said that farming generated 20% or less of their profits, so quite a polarised response.

Key messages

The farmers' most common response when asked about how confident they are in the future of farming in YNY was that they are not confident. Only 31% said they were either quite or very confident[21].

A reason for this assessment is likely to be that only 14% said that the financial performance of their farm(s) over the past 5 years has been good or very good, while 32% said financial performance had been poor. Over half rated the performance as adequate[22].

A large majority (80%) said they had noticed significant financial changes in their farm's performance in the past 5 years, with the overwhelming reason cited as being the reduction in Basic Payments, followed by higher costs, lower profits and increasing business and weather volatility[23].

In addition, the farmers said that the biggest challenges currently affecting them are regulatory and policy changes, most notably the changes to inheritance tax (IHT) in the 2024 autumn budget and a general lack of understanding, support and certainty from the Government[24].

When asked a similar question – about what one thing you would change to improve farming in the area – the responses echoed the above. The most common things are having long-term support / funding for farming, including for agri-environment schemes and for hill farming, and more funding overall for the sector. Addressing fairness in the supply chain was the next most cited improvement. Unhappiness with the Government, and with the proposed changes to IHT, were mentioned by a significant minority, as was reducing regulation / red tape[25].

What support the farmers say they would like

The most helpful support would be guidance on policy and regulations, followed by grants for new equipment, advisory services and training and skills development[26]. There was

[21] Response to How confident are you in the future of farming in York and North Yorkshire? (Question 6). This is a similar proportion to the 35% of farmers who said they felt confident about the future, with confidence at a first year low, in Defra's Farmer Opinion Tracker for England in October 2024. https://www.gov.uk/government/statistical-data-sets/farmer-opinion-tracker-for-england

[22] Response to How would you rate the financial performance of your farm over the past 5 years? (Question 13).

[23] Response to Have you noticed any significant financial changes in your farm's performance in the last 5 years? (Question 14).

[24] Response to What are the biggest challenges currently affecting your farm? (Question 1).

[25] Response to If you could change one thing to improve farming in York and North Yorkshire, what would it be? (Question 8).

[26] This was also echoed by some of the stakeholders who provided information to the project.

also a clear message about consistency – they would like more notice of changes in grants and certainty over their availability[27].

The farmers said that the most important market trends affecting their businesses are changes in export / import regulations, followed by increased competition from large farming businesses and rising land prices. Consumer demand for local / sustainable food and supply chain pressures were also seen as important trends. Having clarity from government was also cited as important[28].

How the farmers are changing / adapting

Over half of the respondents said that they had implemented a new technology or farming innovation in the past five years, although over 40% said they had not, mainly due to cost[29].

Precision farming[30] was the most common technology, followed by electronic recording of livestock and livestock handling equipment and then investment in regenerative farming approaches and equipment to reduce environmental impacts (such as rainwater harvesting and dribble bars for slurry application).

Looking forwards, 63% said they plan to make major changes to their farming businesses in the next five years. The most common changes are sustainability initiatives, followed by diversification and expanding the size of the farm. Very few (11%) said they would reduce the size of their farms[31].

The Yorkshire Agricultural Society's Farming Outlook Survey

The Yorkshire Agricultural Society has also carried out its first ever Farming Outlook Survey[32] and it paints a similar picture of how farmers in the region are feeling. Over 400 farmers responded, and the results show growing anxiety about the future of farming businesses, especially around financial security, wellbeing, and uncertainty about support. Its key findings are:

- Farmers' top concerns include rising costs, changes in tax and subsidies, succession planning, and lack of supportive policies.
- 65% of farmers are worried about the future of their farm business.
- Only 30% of farmers feel confident about the financial outlook over the next year.
- 24% said their farm is in a better financial position than last year, while 36% said their wellbeing has worsened in that time.
- Despite the challenges, 72% said they would seek support if they were struggling with their mental health.
- Farmers also saw opportunities in strong beef and lamb prices, renewable energy, direct selling, and getting the younger generation involved.

With over 400 responses, the survey shows a clear need for action. The Society aims to stand by farmers with year-round events, training, and a presence at the Great Yorkshire Show to make sure their voices are heard.

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[27] Response to What kind of support would be most helpful to your business? (Question 5).
[28] Response to What are the most important market trends affecting your farm? (Question 7).
[29] Response to Have you implemented any new technologies or farming innovations in the past 5 years? (Question 2).
[30] Precision farming is an umbrella term used to describe modern data-driven ways to grow crops and produce livestock. Most farmers use the term to mean using machinery that is more precise and / or using data to help make decisions, including global positioning systems (GPS).
[31] Response to Do you plan to make any major changes to your farming business in the next 5 years? If yes, what kind of changes? (Questions 3 and 4).
[32] Society support amid farm confidence and wellbeing concerns. Published 7 May 2025.

Case studies

To supplement and inform the financial analysis, five farmers were interviewed to understand the challenges that they are facing as well as the opportunities they see. McCain Foods was also interviewed as a case study of a business that is active in and engages with farmers in the area.

Full details of each case study are in the annex, and we have drawn out key themes from them below.

Key themes from the farmer case studies

The following farmers provided details of their businesses and outlook on the sector:

1. An upland sheep farmer - traditional sheep breeding, with small-scale tourism diversification.
2. A mixed pig, poultry and arable farmer - high-efficiency business with contracts for both pigs and poultry, with on-site feed production and renewable energy.
3. A dairy farmer - high-yield Holstein herd, skilled labour needs and strong contract-based milk sales.
4. A lowland beef farmer - lowland beef-rearing operation with sheep diversification and succession focus.
5. An arable farmer – with grain storage business and plans for further diversification and collaboration.

The key challenges that they share are:

- Policy instability – short-term schemes (for example, SFI) and abrupt changes reduce trust and hinder long-term planning.
- Rising input costs - fuel, fertiliser, feed and labour costs are increasing everywhere.
- Extreme weather - unpredictable weather patterns are affecting yields, grazing and soil management.
- Labour shortages - difficulty recruiting skilled workers, especially in dairy, pig and poultry sectors.
- Succession & IHT planning - generational transitions are being complicated by the proposed changes to IHT rules and creating uncertainty.
- Market volatility - prices for meat, milk and crops remain unstable and are vulnerable to cheap imports.

The key themes across the farmers' businesses are:

- Family-run & community linked - all are rooted in local families and communities.
- Diversification - tourism, slurry sales, grain storage, and sheep flocks are used to boost resilience.
- Efficiency over expansion - farms focus on maintaining core businesses and managing risk, not rapid growth.
- Technology varies - mixed and dairy farms use more automation; upland and beef farms remain more traditional.
- Low trust in the government - frustration with short-term policy, complex grants, and unclear support.

The farmers identified a number of training and skills requirements – this is a cross-cutting issue across all of the farm types:

- Strong desire for industry-led skills training, especially for new entrants and successors.
- Practical training in grant applications, compliance, and staff development.
- Mental health awareness and support for isolated farmers.
- Requests for simpler, joined-up training routes focused on real-world farming needs (not just compliance).

The farmers had a number of common aims and objectives:

- Remain financially viable while reducing debt and improving efficiency.
- Secure succession and protect the family farm.
- Invest in infrastructure where support is available.
- Take part in environmental schemes that complement existing farm systems.

- Explore premium markets and carbon / biodiversity income streams.

They also identified a number of common opportunities to increase resilience:

- Environmental - soil improvements, muck sharing, carbon audits.
- Financial - cost control, better budgeting, diversification, local markets.
- Labour, skills and training - staff training, student placements, upskilling for staff and next generation, support for grant access, local collaboration.
- Supply chains - shorter routes to market, local contracts, food security focus.
- Technology - automation, renewables, handling, and storage upgrades.
- Long-term contracts and schemes - clearer, multi-year funding agreements (10-15 years preferred) for stability, infrastructure planning and environmental goals.

Key themes from the McCain Foods case study

McCain Foods has a deep-rooted partnership with potato farmers in York and North Yorkshire. With over 250 growers across the UK - 55 of which are located in this region - McCain sources a significant proportion of its supply locally. Its factory in Scarborough processes most of the regional supply, with occasional deliveries of potatoes to Peterborough when needed.

McCain tries to maintain strong relationships with farmers through dedicated field managers and long-term contracts. It has recently introduced two-year rolling contracts based on growers' feedback, offering more flexibility than the previous five-year agreements. There are two main contract types, either harvest and then hauled direct to the factory, or harvested, stored on farm and delivered to the factory throughout the year. McCain also helps with crop planning, matching varieties to each farm's conditions and customer requirements.

To support environmental sustainability, McCain has developed a Regenerative Agriculture Framework to support growers to transition towards implementing regenerative agriculture practices. McCain is supporting growers on the journey to regenerative agriculture by providing free soil health assessments, training via grower-led demonstration farms (one is situated in North Yorkshire), and seed for cover crops and flower margins. Within the new two-year rolling contract, there is the opportunity to receive an additional premium payment on top of the base payment for growers who implement regenerative practices as well as other requirements. McCain has increased its base prices since 2022, driven by variations in input costs.

McCain also supports resilience by co-developing business plans with growers, including infrastructure funding, succession planning, and long-term production agreements. It actively encourages younger farmers through a Next Generation Programme and special contracts for new entrants.

Despite market pressures such as EU imports and regulatory hurdles, McCain continues to back UK-grown potatoes and aims to strengthen British agriculture through collaboration, innovation, and strong local ties.

Summary of pressures, challenges and impacts

The following Red / Amber / Green (RAG) assessments are based on our appraisal of the likely scale and impact of the different pressures, challenges and opportunities for the farm sector (although individual farms may well have different ratings).

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
Agriculture	
Profitability	Red (high impact on farming resilience) Profits from agricultural activities have the greatest effect on total farm business profitability and therefore financial resilience. For most farm types, the main reason for differences in profits is the performance of the agricultural business, not profits from agri-environment schemes, diversification or Basic Payments (although some farm types are more reliant on them than others, such as hill grazing livestock businesses). The most obvious way to increase farms' financial resilience is to move them from low(er) to high(er) performance. This is possible. Higher performing farms really means higher performing farmers. They have a range of behaviours and characteristics which every farmer can aim to duplicate although it is hard for many to change (and many do not want to change, in our experience). Higher farmgate prices for commodities would help with profitability, but many are set by global markets and so are outside the control of the sector.
Basic Payments	Red (high impact on farming resilience) The phasing out of Basic Payments has a significant effect on farm profitability as they have historically been an important income support payment, especially for lower and middling performing businesses. Our analysis is that removing them from the baseline scenario reduces the total profit generated in the area to 56% of the baseline amount and drops more farms into economically unsustainable profit levels (now 3,732 farms, which is 54% of the total number (up from 52% in the baseline)). The change is one of the key elements of the national agricultural transition plan and is unlikely to be reversed. The money that was used to pay Basic Payments will be used to fund agri-environment and productivity schemes. Agri-environment schemes are a useful source of income for many farms, with

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	lower risk and volatility than farming activities, and so are recommended. They also have the benefit of funding some activities that can increase the resilience of farming systems to changes in the climate as well as providing biodiversity benefits, so long as they are done well.
Agri-environment	Amber (medium impact on farming resilience) A high proportion of farmers in YNY have an agri-environment scheme agreement. It is hard to be precise as official data is based on number of agreements (and a farm can have multiple agreements) and likewise for area (as a field can be entered into a number of agreements (for different environmental options). There are 2,000 SFI 23 agreements in North Yorkshire and 2,400 Countryside Stewardship agreements. This represents 29% and 35% of the total number of the 6,946 farms in YNY (or 45% and 54% respectively of farms over 20 hectares so more commercial-sized farms). These proportions are similar to those for the whole of England[33]. The analysis of FBS data showed that, while important for many farms, profits from agri-environment schemes are not one of the main differentiators in terms of farm performance. Profits from schemes ranged from £880 to £28,000 per farm, with them being most important to grazing livestock hill farms. Farmers in YNY receive around £53m per year in payments from Environmental Land Management schemes[34], which is 14% of the total business profits of the farms (in the baseline scenario). However, looking forward, income from schemes is likely to become more important as agri-environment funding replaces Basic Payments as the main public support for farming, depending on government policy. This said, farmers sentiment and willingness to engage has been harmed by how these schemes have been run by Defra and the Rural Payments

[33] Sources: Defra. Sustainable Farming Incentive Option Summaries at 1 January 2025 and Countryside Stewardship and Environmental Stewardship Option Summaries at 1 April 2024.
[34] Source: a request for information request. RFI7322 https://assets.publishing.service.gov.uk/media/67ebb7bf98b3bac1ec299aa6/RFI_7322_-_Response.pdf
RFI_7322_-_Response.pdf
https://www.gov.uk/government/publications/rfi-7322-money-paid-to-farmers-under-the-environmental-land-management-scheme?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=5b6502c2-6eb6-49f1-9d27-18e3640f0aaa&utm_content=daily

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	Agency, including the recent closing of SFI without warning. Many crop-producing farmers are also concerned about the level of agri-environment funding that they might receive in the future as the Government has indicated that the 'reset' of the SFI could lead to more of the budget being directed to 'where there is the greatest potential to do more on nature and the least ability [for farmers] to access decent returns from agricultural markets and other forms of investment'[35].
Changing environmental regulations	Green (low impact on farming resilience) These are not assessed as a significant challenge or constraint on farm resilience although simplifying regulations, guidance and 'red tape' was raised by a minority in the farmer survey. However, the independent review of Defra's regulatory landscape by Dan Corry[36] concluded that the current system does not work as well as it could for nature and the environment, let alone for growth. The review made a series of recommendations, and the Government has not responded on all of them yet. In terms of the effect of environmental regulations on development, the review stated that: *'While all these issues have clearly at times been frustrating and blocks to growth, we have only rarely had instances suggested to us where development was stopped by environmental regulation alone.'*
Changes to IHT	Red (high impact on farming resilience) The proposed changes to IHT could have a significant effect on farm profitability in the YNY area if not properly planned for. They will certainly have a significant effect on individual businesses that either don't or can't properly plan, due to lack of time or ill health. Even with tax planning, the new liability reduces the estimated total business profits for the YNY area so that they are lower than in the no Basic Payments scenario. The low 25% farms become even more unprofitable, with the higher losses becoming less

[35] Source: Daniel Zeichner's (Minister for Food Security and Rural Affairs) comments on BBC Farming Today, 14 March 2025.
[36] Delivering economic growth and nature recovery: An independent review of Defra's regulatory landscape. Dan Corry. April 2025.

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	'coverable' by off-farm earnings. For the medium 50% of farms, six of the nine types of farm slip into unsustainable levels of profits (up from five in the no Basic Payments scenario). The return on capital employed for the NYN area falls to 1.0% (from the baseline's 2.1% and the no Basic Payments scenario's 1.2%). NB: It is important to note that the IHT liability can be reduced further by transferring assets, with no IHT liability, using lifetime transfers and potentially gifts from surplus income.
Renewable energy, including energy infrastructure	Green (low impact on farming resilience) Although the financial impact of an energy infrastructure scheme can be significant on individual farms, and particularly for tenanted farms where the land used for an energy scheme can significantly affect the on-going financial viability of a farm[37], the effect over the whole YNY area is assessed as low as it is unlikely to significantly affect the resilience of a large number of farms. Renewable energy is also an opportunity for farmers, although only for a small proportion and evidence is that energy scheme developers now have more projects than they are able to fund, so the opportunity for farmers where schemes are not already identified is likely to be limited. Smaller on farm schemes to supply own farm needs will become more common rather than producing electricity for sale.
Planning policy and diversification	Amber (medium impact on farming resilience) Based on the experience of Strutt and Parker in making planning applications in the North Yorkshire area, the authors of this study do not think that the planning system is a significant restriction on most development of new buildings for farming or for diversification. However, there are some challenges which include the greater restrictions on development, including

[37] The Tenant Farmers Association make objections to some planning applications that affect tenanted land, particularly on farms with Agricultural Holdings Act tenancies (old-style tenancies with succession rights), citing the impact on the tenant, taking 'good' land out of production and questioning whether it is a non-agricultural use. There are examples of where they have been successful in blocking applications.

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	on permitted development rights (PDRs)[38], in Protected Landscapes[39]. There are also procedural issues that apply to all places, such as the time and cost input of Biodiversity Net Gain calculations for small schemes which may only require a few trees to be planted (which could be done through a de minimis rule without the calculations). Some farms have also been affected by environmental regulations, such as requirements for nutrient neutrality in some catchments, affecting plans for new enterprises or expanding existing ones[40]. (It should be noted that no other industry has the wide range of PDRs and planning relaxations that agriculture has). The issue of whether planning policy and / or the planning system adversely affects farming is not a new one and a number of organisations, including the Country Land and Business Association (CLA), have been campaigning on it for a long time[41]. A recent local example is in East Riding where a group was established in 2022 to explore planning issues and challenges related to farming. The group suggested that systematic change was required at national level. This type of collaborative approach could be adopted in the Combined Authority area. Changes to PDRs have been positive and enabled more development to happen, at lower cost and more quickly. Some farms have already taken advantage of the changes, for example to convert grain stores into storage for caravans or padel courts. The national change of guidance on agricultural workers dwellings – now treated as rural workers dwellings – has also been positive. Many local planning officers are good at processing applications as quickly as they can, and agricultural applications often take less time than residential ones to be considered. In our experience, the process could be sped up by having greater clarity

[38] NB The many changes to PDRs over recent years have levelled up the rights so that there are now few differences between them in and outside Protected Landscapes. The North York Moors National Park Authority says that the only significant difference is Class Q, which doesn't apply to Protected Landscapes, which means planning permission still has to be obtained for the conversion of agricultural buildings to dwellings in Protected Landscapes. Successive governments have agreed that Class Q would be incompatible with National Park purposes, particularly in relation to the many isolated field barns in many Protected Landscapes.

[39] The Protected Landscapes authorities point to data that approval rates are higher in Protected Landscapes than outside. Many businesses, including farming businesses, also benefit from being within a Protected Landscape, for example for marketing of tourism enterprises. Also, at two recent events for Yorkshire Wolds farmers to ask questions about the impact of being in a National Landscape on farming, the farmers fed back a positive message of co-operation, joint projects and additional funding, which sat alongside their experiences of some planning restrictions on options for their built environment. The examples given of the restrictions were a requirement for tree planting to screen a small caravan site and a requirement to paint a barn a specific colour.

[40] Source: personal communication with the project steering group.

[41] A recent analysis by the CLA based on responses to freedom of information requests from 35 councils in England is that some councils are taking years, rather than months, to approve planning applications, which the CLA says is stalling rural growth and housing targets. The data is that eight of the 35 councils exceeded the government's target time to issue decisions in 2023. Source: https://www.cla.org.uk/news/planning-crisis-rural-communities-wait-years-to-get-building-cla-analysis-reveals/, published 17 March 2025.

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	from planning authorities on what forms and information are needed, possibly by issuing a checklist, and by some applicants being more prepared. Addressing the national shortage of planning officers would also help. There is scope for some simplification of some processes, for example the planning fees for changes to planning conditions (which are set nationally) and on some processes associated with Biodiversity Net Gain (see above). The situation should be simplified further when North Yorkshire Council produces its single local plan for the whole area by 2028, rather than using the individual plans for the authorities that merged. At present, the different areas can take very different approaches.
Mental and physical health and social isolation	Red (high impact on farming resilience) Stress, anxiety, loneliness and depression are already very significant issues in many farm households. Physical health issues also affect a significant proportion of farmers, with almost three quarters of the 220 people Health Watch North Yorkshire spoke to reporting joint, back or muscle pain[42]. Research by Rural Support in 2016 identified over 60% of farmers as experiencing significant stress, with those in debt particularly affected by poor mental health and wellbeing. The research found that older people were less likely to seek help than younger people, which is important given the proposed changes to IHT. If farm profitability falls as is expected with the phasing out of Basic Payments and IHT changes, mental health and wellbeing issues are likely to increase. This makes the support of charities such as FCN[43] even more important to the sector. FCN runs a website called FarmWell which encourages farmers and others in rural communities to proactively take action to build their business and personal resilience to avoid reaching a point of crisis. It has launched a resilience checklist to help farmers and farm businesses undertake a business and wellbeing 'MOT' by answering around 40 simple

[42] https://www.healthwatchnorthyorkshire.co.uk/report/2025-04-23/ploughing-through-barriers .

[43] FCN, which will mark its 30th anniversary in 2025, has become a vital lifeline for farming families, agricultural contractors and the many self-employed working in the rural economy, who are all going through difficult times and periods of change. It runs a confidential national helpline (03000 111 999) and e-helpline (help@fcn. org.uk) which is open every day of the year from 7am-11pm. The helpline staff then refer on callers to an appropriate regional co-ordinator who has access to experienced volunteers – 350 across England and Wales – who can offer free, confidential support on a range of business and personal issues.

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	questions. The questions cover topics such as whether partnership agreements are up to date, business objectives, work-life balance, diet and exercise, succession planning and links with local communities. The FCN provides an opportunity for farmers to have honest conversations about their own farming business, and what is and isn't working. The support it provides is wide ranging and as well as providing advice directly, it includes signposting farmers to other advice, legal assistance and support on business planning and training. The Health Watch North Yorkshire study concluded that farmers in North Yorkshire face real barriers to looking after their health. Long hours, isolation, cost worries, and a strong sense of pride all get in the way. This report shows that change is possible, by bringing support closer to where farmers already are, using language that resonates, and building services around farming life.
Access to finance (including green finance)	Green (low impact on farming resilience) Access to finance is not a significant constraint on business for most farmers due to the high and secure underlying value of their farms and land. Farming has the lowest borrowings compared with net worth (or gearing ratio) of any sector in the UK. Net lending to the farming sector in the UK (after deducting the amount farmers have in bank accounts) is @ £11bn, which is less than the value of farms in YNY, which is @ £18bn. However, it is much more challenging for tenant farmers (and more so now with the proposed changes to IHT as they will no longer get 100% relief when passing on a farm at a succession) and for new entrants (as lenders are much less willing to lend to them due to the high capital requirement to buy land, equipment, buildings and livestock).
Nature markets / access to green finance	Amber (medium impact on farming resilience) Generating profits from these markets is likely to be challenging for most farmers in the short- to medium-term. This is because most of the markets are new, many are location specific (for example, peatland restoration) and many are currently small scale. It is hard to accurately assess the current scale of these markets and how they might grow, although they are expected to grow significantly.

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	To date, the tenant farming sector has faced additional barriers to entry and uptake from that sector has been low. There are some examples of where nature market deals have happened, but they are still fairly few and far between[44]. Carbon markets remain the most developed. The Woodland Carbon Code is a publicly regulated market for generating carbon credits. It is growing but still covers a relatively small area of land and requires permanent land use change, so will not appeal to all farmers. It is also harder to do on tenanted land. The Peatland Code is also a publicly regulated market but is location specific – it requires degraded peatland – and the market for credits is currently small. Soil carbon markets are unregulated private markets so difficult to quantify or assess the scale of them but may offer the greatest scope for most farmers. A market for hedgerow carbon is in development. The voluntary biodiversity market is still small (but growing) and may only grow significantly if there is a driver of demand (whether through regulation, legislation or private action). There are other markets related to improving water quality and lots on interest in voluntary water quality initiatives to improve catchments but, again, these are location specific so may not become widespread markets. Another challenge to overcome is that it is harder for farmers to enter these markets (certainly at present) than it is to apply to an agri-environment scheme, so applying needs more dedication and commitments tend to be for much longer time scales. Therefore, nature markets may only appeal, and be open to, a relatively small proportion of farmers.
Climate change and adaptation	Red (high impact on farming resilience) The effects of changes in the weather are already being seen on farms, as reported in the survey of farmers. A recent stark example is the 18-27% reduction in arable yields in 2023/24 due to the wet winter and following dry spring and summer. As stated above, a 20% reduction in output across all farm types would reduce the profits from agriculture in YNY from about

[44] There is some evidence that the clusters have started to generate income for their farmer members from private nature markets but, to date, it is likely to be less than £10m and mainly from nutrient neutrality , so only available in affected catchments, and Biodiversity Net Gain. (Source: personal communication with the Farm Profitability Review, May 2025).

Key pressures and challenges	RAG rating of scale and impact (red (high impact) – amber (medium) – green (low))
	£110m a year (the baseline situation) to a loss of -£322m; a 10% reduction would reduce profits to a -£106m loss. A number of farmers have already made some changes to the way they operate to adapt to the changes in weather. There is a considerable amount of evidence on the climate impacts on farms and how farmers can adapt. The YNYCA has commissioned a report on climate adaptation from ADAS. It has identified some of the biggest challenges being seen by the farming sector related to the climate as: • Extreme weather events. • Changing climate / seasonality / weather patterns. • Market price volatility and effect on demand for farm produce. • Effects on abstraction licences and water availability. • Net Zero / carbon reduction requirements within supply chains. • Changing pest and disease pressures (and the knock-on effect of how to manage them). • Effect on the growing capacity of land (and the knock-on effects on the suitability of farm systems / crops, land ownership and land farmed under tenancy agreements). • Effect on equipment needed on farms (such as irrigation, rainwater harvesting and water storage). ADAS has also produced two reports for Defra on adaptation, with the Met Office, due to be published in 2025. These reports include a list of 100+ measures to build resilience on-farm, identifying the 'quick wins', which are low cost, high impact and easy to implement. The YNYCA is also funding a Carbon Negative Challenge Fund, which includes a regenerative and sustainable farming work stream.

Additional observations

A majority of farms make a loss or do not make profit levels that allow sustainable investment in the farms. So, on the face of it they are not economically resilient. However, very few of them are sold or change management. They either survive on low incomes, do not reinvest and / or rely on off-farm income.

The phasing out of Basic Payments will increase the proportion of farms that make a loss or profits too low for reinvestment in the business[45].

The proposed changes to IHT is a new charge that farms may have to pay. It is still possible to pass a farm to the next generation with no IHT by using lifetime transfers, although there is a risk of a charge if a farmer dies within seven years of making a Potentially Exempt Transfer, but it is insurable. Tax planning can significantly reduce potential IHT liabilities; we estimate by over 50% of pre-tax planned liability. The new IHT charge affects larger farms most, so cereals, general cropping and mixed farms. It also affects lower performing farms more than higher performing ones as they have lower profits from which to pay for advice and / or the IHT charge. Advice on tax planning is not expensive compared with the value or net worth of a farm and there is an argument that it encourages farmers to think more strategically about succession and business planning, which is a positive.

If farms become less profitable, they could, potentially, change their farming systems, which will change what they produce, which could have knock on effects on the wider food supply chain and local food markets. It is very hard to model or estimate what the cumulative effect of these changes might be, but they will have economic, social and environmental impacts[46]. The sector has historically changed how it operates and what it produces due to changes in markets and support, and that is continuing; for example, the continuing consolidation of farms in the dairy sector and, separately, increasing uptake of agri-environment schemes.

There is growing evidence that farmers are already changing what they produce and how they produce it to try to reduce the risks to their businesses from climate change. The financial and environmental sustainability of some farming systems in the area – as well as more widely across England – is being increasingly questioned; for example, the Nethergill Associates analysis of the profitability of hill farms argued stocking levels should be based on 'maximum sustainable output', without the use of artificial fertilisers, which will reduce stocking rates on most farms but lead to increased in profits / lower losses for many farm businesses[47]. There are also wider calls for fundamental changes to the food system in the area, so that it becomes more equitable and resilient, delivers food alongside nature. All of the above elements, plus the debate on land use, are part of a large discussion on food systems that is multi-faceted, complex, contested and challenging. However, whatever the outcomes of the discussions are, a fundamental building block is economically sustainable farms that are more resilient to a range of risks.

For most farm types, the main reason for differences in profits is the performance of the agricultural business, not profits from agri-environment schemes, diversification or Basic Payments (although some farm types are more reliant on them than others, such as grazing livestock farms).

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[45] This report's assessment that the proportion of farms that make economically unsustainable profits will increase paints a similar picture to Defra's modelling, which estimated that more than a third of farm businesses covered by their modelling (which is the largest farms (55% of farms and 98% of agricultural production)) are likely to need to make productivity improvements to maintain viability after 2028, given the reductions in Basic Payments. NB Defra's modelling does not include the potential effect of the changes to IHT. Source: Defra's modelling referred to in National Audit Office. The Farming and Countryside Programme. Department for Environment, Food & Rural Affairs. HC123. 27 June 2024.

[46] There is some data on the economic benefit of local food markets. For example, an evaluation of the impact of Growing Communities' two primary consumer offers – its weekly veg scheme and its farmers market – estimated that for every £1 spent by customers on veg box schemes or farmers' markets, a further £3.70 is generated in social, economic and environmental value. Source: Growing Communities: Farmer-focused routes to market - NEF Consulting . NB This analysis relates to the financial year 2019-2020. Also see the work by the Landworkers Alliance on resilient local food systems, particularly on the range of benefits that they can provide (for example, see page 11 of the Growing the Local Food Sector report. growing-the-local-food-sector-a-snapshot-of-barriers-and-solutions-1717679920.pdf .

[47] MSO is a method of farm productivity analysis that helps farmers reach optimal yield in balance with nature. Nethergill Associates designed the technique based on practical experience with over 100 farmers in the region: https://www.nethergillassociates.co.uk/maximum-sustainable-output .

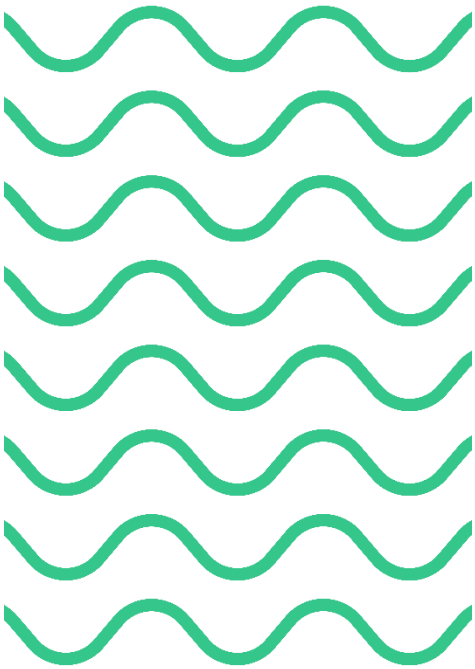
The most obvious way to increase farms' financial resilience is to move them from low(er) to high(er) performance. This is possible. Higher performing farms really means higher performing farmers. They have a range of behaviours and characteristics which every farmer can aim to duplicate, although it is hard for many to change (and many do not want to change, in our experience).

If the farming sector in YNY agrees with this analysis, it could agree a plan for how to support as many farmers as want to develop the traits of higher performing farmers.

Other projects have identified that some farmers do not recognise that they are low(er) performing. Some of them may recognise it if they are provided with credible evidence, but others will remain in denial. (and many do not want to change).

Higher performing farmers rely on information and data, so it is recommended that information and data on farm performance is produced in an easy-to-access and easy-to-interpret format, including the effect of the phasing out of Basic Payments and the changes to IHT, so that all farmers can, if they want to, access robust, objective data on the medium- to long-term prospects.

Diversification can financially support many farm businesses and can be a good way to reduce / spread risk. However, it is not a panacea for all farmers. Take up of diversification grants (through the previous RDPE programme and the more recent England Rural Prosperity Fund) was by a very small proportion of farmers. We do not think that making new / bigger grants or loans available for diversification would have a significant impact on the financial resilience of a significant number of farmers.



Part 2: Developing a new strategic approach

Existing initiatives

This section looks at existing food and farming policies, plans and strategies that relate to the YNY area. It highlights common themes in them, relates them to themes identified by this report using them to identify opportunities for action and to increase resilience.

There are a number of regional projects and programmes that are concerned with food and farming, including FixOurFood, the Yorkshire and Humber Climate Commission, North Yorkshire Council's Food for the Future / Let's Talk food programme and the YNYCA's Local Growth Plan.

Many of these projects come to similar conclusions about the issues affecting the food and farming sectors and how to change or resolve them. Some of the main ones are set out in the table below.

FixOurFood and The Yorkshire and Humber Climate Commission

These are two separate projects but the Commission's approach to food and farming has been strongly guided by the work of the region's FixOurFood project, so they are covered together.

FixOurFood is a £6m project funded by the UKRI Transforming Food Systems Strategic Priorities Fund, which aims to understand how to steward transformations towards a regenerative food system in Yorkshire and beyond.

The FixOurFood project has outlined a vision of a sustainable food economy for the region (see Figure ABC) which aims to set the foundations for an equitable and resilient food system. The vision is of multi-functional land use, delivering food alongside supporting nature and a fully circular food system where waste has been designed out of the process. Supply chains are shorter, with local food at the heart of the public's diets and are more focused on nutrition and health.

Key elements of the vision, which you can see in boxes in the figure, are:

- Effective ecological land use, with diverse natural environments, regenerative farmers central – sustainable, innovative and low carbon.
- Governance: sustainable focus – support of sustainable farming practice.
- Quality food – Yorkshire identity – Yorkshire standards / branding recognised. Yorkshire attractive because of how food is grown.
- Innovation and diversity – thriving small farms. Innovation is the norm.
- Food system engagement – thriving, dynamic employment / training in food / farming sector.

The Yorkshire and Humber Climate Commission (YHCC) is an independent advisory body that brings together a wide range of people from the public, private and third sectors to support, facilitate and enable the delivery of ambitious climate action across Yorkshire and the Humber. Its four aims are rapid emissions reductions, climate adaptation and resilience, nature restoration and a just transition.

The YHCC developed the Yorkshire & Humber Climate Action Plan with input from over 500 people from across the region. A significant element of it is 'meaningful climate leadership from larger institutions in government and the public and private sectors to deliver "significant, tangible contributions" to help tackle the climate and ecological emergency'.

It identified a wide range of issues facing the food and farming sectors, with farming facing the following in particular:

- Multiple pressures on land-use
- Monoculture plantations that lack resilience and may not be effective in a changing climate.
- Food production contributing to loss of biodiversity, emission of greenhouse gases, accelerating climate change, and generating pollution and waste.

It includes the following actions related to food systems:

19. **Prepare the food and farming sector for current and future changes through research and innovation, skills and knowledge development, networks building and stakeholder engagement**, acknowledging the huge opportunity for farmers to help address the climate and ecological emergencies if provided with the necessary support.

45. **Support net zero agriculture and food production by developing and sharing best practice**, promoting new start-ups, and **sustainable, nature-friendly and where appropriate community-based food production**, enabling changes in consumer behaviour (including to local/regional and seasonal produce and to more sustainable food sources) and facilitating reductions in food waste.

[NB: The Author's emboldening, not the YHCC's].

The Commission published an insight paper which includes a number of regional priority actions, many of which relate to food and farming[48]:

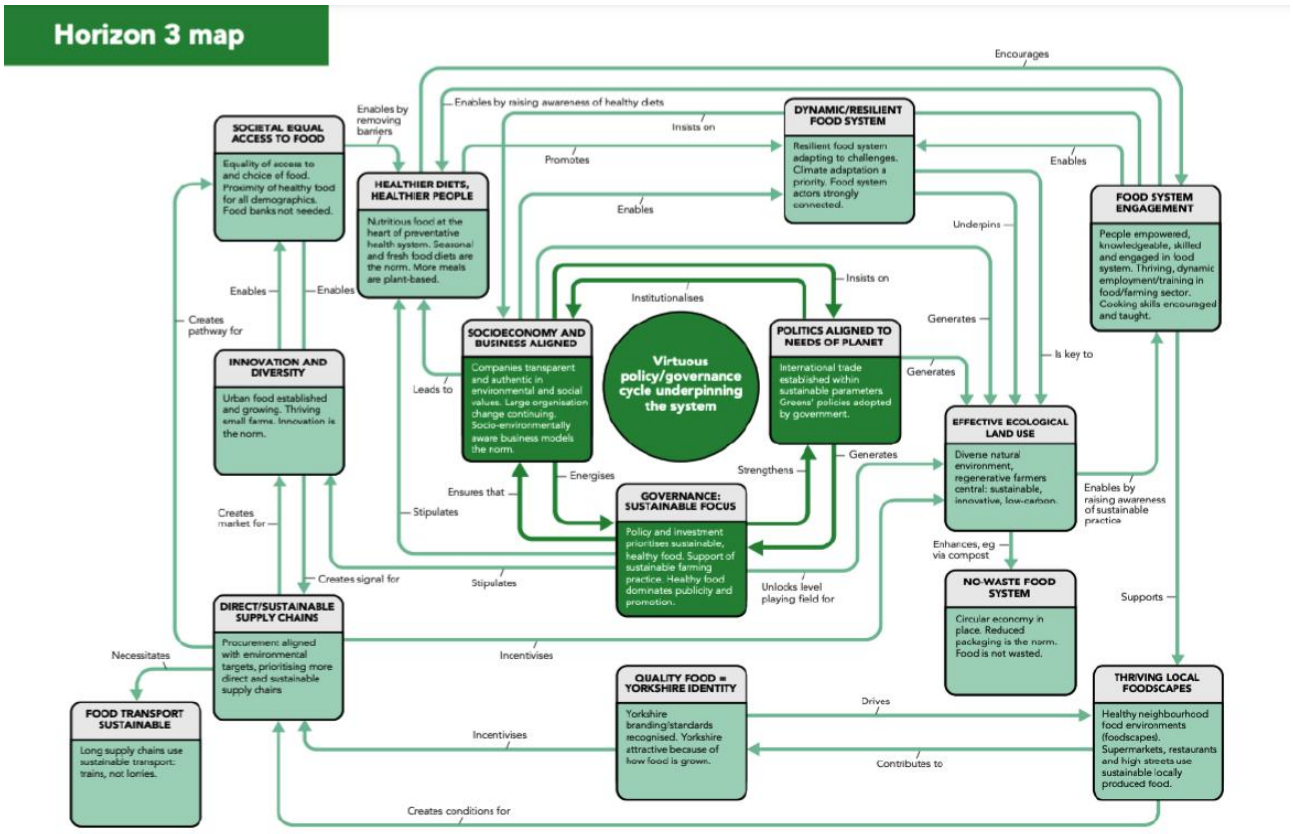
- Explore the need for an integrated urban and rural regional food production strategy as part of a regional approach to land use.
- Establish and strengthen land management partnerships and regional food networks.
- **Support farmers in understanding and sharing knowledge around 'multiple benefit' use of land and regenerative farming**. For example, the FixOurFood initiatives around regenerative farming in the region https://fixourfood.org/what-we-do/our-activities/regenerative-farming/ .
- Improve connections between local producers and retailers to facilitate conversations about shorter supply chains.
- **Explore creating a Maximum Sustainable Output (MSO) analysis of the region and facilitate all farmers in conducting their own MSO calculations and strategy**[49].
- **Support farmers in accessing best practice and education on regenerative and nature-positive farming techniques.**
- Support industry leaders to transition, such as working with farming chemical manufacturers to transform the industry away from fertiliser and pesticide production towards regenerative farming technologies, creating new green jobs and supporting workers into a new skill area.
- Consider how urban land can be dedicated to local food production initiatives, facilitating entrepreneurship in the urban food sector.
- Create shared knowledge and technology programmes to allow farmers to explore new technologies for urban growing.
- Continue to develop and explore the case for a regional, integrated land-use strategy.
- Facilitate conversations about land-use policy which may be restricting the ability for farmers to transition towards regenerative techniques and reduce the need for chemical pesticides, herbicides and fertilisers.

[NB: This does not include all of the priority actions. The Author's emboldening, not the YHCC's].

[48] Herbert, S. (2023) Sustainable Food Systems. Report. Insight Paper (1). University of Leeds on behalf of Yorkshire and Humber Climate Commission https://doi.org/10.48785/100/168 .

[49] MSO is a method of farm productivity analysis that helps farmers reach optimal yield in balance with nature. Nethergill Associates designed the technique based on practical experience with over 100 farmers in the region: https://www.nethergillassociates.co.uk/maximum-sustainable-output

Figure I: Horizon map three, transformation of Yorkshire's food economies. FixOurFood, 2022.



North Yorkshire Council's Food for the Future / Let's Talk Food

Let's Talk North Yorkshire was launched in 2022 as a commitment to listen and engage with the people of North Yorkshire on key strategic decisions.

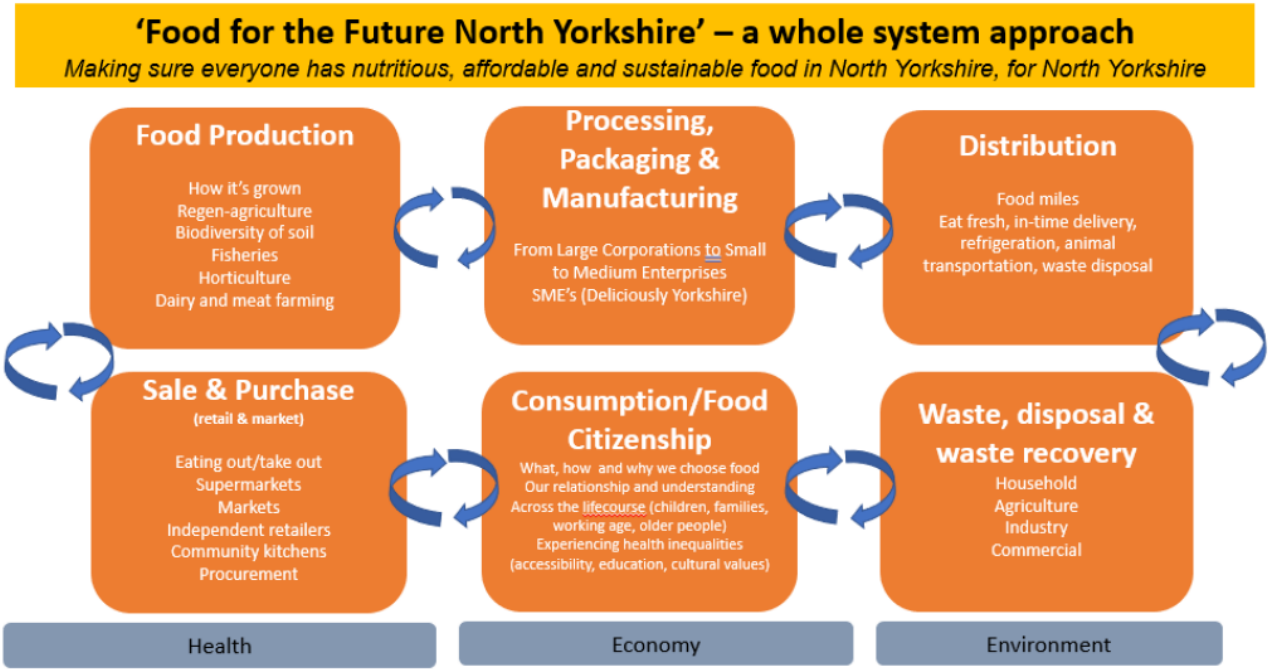
It includes Let's Talk Food which is looking at the whole food system in North Yorkshire, including the way food is grown. The Let's Talk Food survey gathered 2,053 responses, which will be used to contribute to deciding the priorities for supporting the food system in North Yorkshire.

The Council is also developing a whole system food 'framework for action' that seeks to ensure a transformational change towards high quality, accessible, affordable and sustainable food for all (see Figure ABC[50]). The intention is to develop a partner led transformational and high level 10-year strategic plan.

While still in development, an element is likely to be support for regenerative agriculture, in common with the FixOurFood and YHCC.

[50] https://fixourfood.org/wp-content/uploads/2025/01/14.-Food-for-the-Future-in-North-Yorkshire.pdf.

Figure J: Food for the Future North Yorkshire whole system approach



York and North Yorkshire Combined Authority

The YNYCA produces and works to a Local Growth Plan of the economic priorities for the area. The Plan is currently being produced and will be launched in July 2025. It is likely to be based on Strategic Growth Priorities which include increasing productivity and innovation within the food and farming sector. While subject to change, it could include the following:

- Support to promote regenerative farming
- Support for agri-technology.
- Support for farm sustainability

The Combined Authority has the aim of the area to achieve net zero by 2034 and be carbon negative by 2040. To help achieve this, it is also producing a route map to carbon negative land use sector action plan. The key principles of the route map are to:

- **Ensure that food production is central to the approach.**
- **Support agricultural and marine businesses to be productive, low-emissions and profitable.**
- **A bottom-up, flexible approach that empowers farmers, and other land managers to make their own decisions.**
- Ensure nature-based actions are right and delivered in the right places (i.e. right trees planted in connected natural habitats)
- Enhance coastal and marine management to actively sequester carbon.

[NB: The Author's emboldening, not the YNYCA's].

Draft targets in the route map relating to agriculture currently include the following, but are subject to change:

- Increasing the amount of hedgerows in the region, alongside improvements in hedgerow width and health.
- Decarbonisation of on-farm machinery.
- Farmland soils sustainably managed.
- Some cropland used for biofibre / high carbon-capture crops.

The Combined Authority has already taken a number of actions to support this, including:

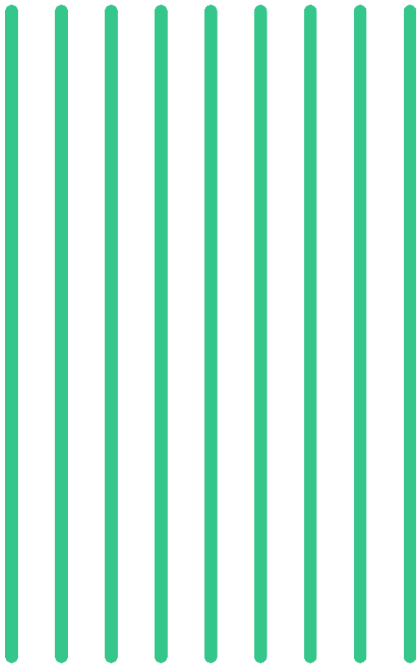
- A sustainable farms initiative, which funded advice on practical ways to reduce emissions, support nature and build long-term farm resilience (using four tests - an energy audit, a renewables feasibility assessment, a

biodiversity net gain assessment and soil carbon testing)[51].
- Agricultural business training.
- Securing funding for the Local Investment in Natural Capital Programme (LINC)[52]. It aims to help understand how the area can attract investment into natural capital that can restore and sustain the natural environment, whilst unlocking significant economic value[53]. The programme aims to deliver a Land Use Assessment and Natural Capital Investment Plan (NCIP); a pipeline of investible natural capital projects and piloting projects that test mechanisms for private investment; and business cases for a self-sustaining Accelerator Programme and a local investment vehicle to reduce reliance on public funding.

Opportunities for action

There are a number of common themes in the plans and programmes for YNY, which are in Figure ABC below, which also includes themes from this report and opportunities the study has identified for strategic action to increase resilience.

The study has made some other practical suggestions on opportunities for the Combined Authority to support the farming sector (see the next section).



[51] https://yorknorthyorks-ca.gov.uk/mayor-launches-first-of-its-kind-sustainable-farms-initiative/ .
[52] Local Investment in Natural Capital (LINC).
[53] Research shows that with strong private and public sector partnerships and the right investment, York and North Yorkshire's natural capital economy could grow by 31% before 2050, which would translate into £946m GVA.

Figure K: Themes from plans and programmes, this report and opportunities for action and to increase resilience

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
• A bottom-up, flexible approach that empowers farmers, and other land managers, to make their own decisions on how food production can contribute to reversing the loss of biodiversity, lower emissions, slowing climate change and generating less pollution and waste.	• The farmer survey identified that farmers want consistent long-term support from the Government to continue to produce food and also deliver other benefits / outputs from their land. • Many are suspicious of the implications of a land use framework for them.	There is a clear need to support farms to transition towards farming systems that are profitable, low carbon and support nature. An effective, emerging structure that could help achieve this is **farmer clusters**, which may have more buy-in from farmers than imposing policies and actions[54]. It is recommended that **robust, independent evidence / data** is produced and disseminated to all farmers in the area on a range of subjects (as many are contentious, on farmers' minds and some are affected by misinformation): • Food security (for England first as easier, then for Yorkshire). • Farm profitability, by performance band, both current and estimated future profitability. This should include the profitability and benefits of regenerative and environmental practices[55]. • Land use, including use for renewable energy projects, energy crops, land within agri-environment schemes (in total and the amount that supports food production (e.g., by improving soil health, reducing soil erosion, provides habitats for crop pest predators). • What the national and local policy targets are, what is expected from YNY, what funding is available for each target (including schemes), and whether they are on track to be delivered, possibly through a simple infographic)[56]. This should include climate change, the state of nature and flood risk management. <u>Metrics / outputs to measure progress</u>

[54] There is some evidence that the clusters have started to generate income for their farmer members from private nature markets (source: personal communication with the Farm Profitability Review, May 2025).
[55] FixOurFood has gathered a lot of information on regenerative farming practices, including nationwide research programmes on it. It could be part of how best practice is shared with farmers. Indeed, a workshop on the subject stated the value of farmer-driven knowledge and co-design / creation / production and that a priority is the creation of a platform with a synthesis of regenerative farming research, which is accessible to farmers and updated annually. The Farm Business Survey should be extended to gather physical and financial data on regenerative farming practices (and also on organic farming systems as the current sample is too small to produce reliable data). Source: Berthon, K., Wade, R., Leake, J.R. and Chapman, P.J. (2024) Sharing Experiences of Regenerative Agriculture: Report on Workshop. Transforming UK Food Systems Programme. DOI: 10.5281/zenodo.14144400 .
[56] One of the aims of this recommendation is to have, in one place, in plain language, information on all of the local plans, programmes, initiatives.

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
		A simple metric is whether a farmer cluster is established in the area and, if so, how many farmers join it, the area of land they manage and how successful it is in supporting its members in the transition to more profitable, low carbon and nature-friendly farming systems. On data, an early measure is whether the opportunity is supported by the sector. If it is, the next measures are: (i) whether a useful, concise and user-friendly suite of data is agreed. (ii) that it is produced. (iii) that it is disseminated to all farmers. (iv) that the users find it useful. (v) that it increases resilience (through changes in practices, including business management practices as well as practical farming practices. This can be tracked through the survey of all farmers by the co-ordinating regional hub proposed below). <u>Cost of implementing the metrics / outputs to measure progress</u> The data is likely to come from a range of sources, which will take some time to identify, and some geographical data will need to be handled in a Geographic Information System (GIS). A key requirement is analysing, interpreting and presenting the data in a useful, concise and user-friendly way. This takes skills and, in our experience, is a significant failure of many data projects. To do this is likely to require a combination of skills and possibly organisations[57]. The data will need to be updated throughout a year (as the original data will be updated at different times during the year), it should be disseminated say twice a year (so that it is still up-to-date but does not overwhelm the recipients / users) and there should be a monitoring, review

[57] We have not been specific in recommending a particular organisation(s) for this as it should be agreed by the sector. There are a number of existing organisations that could do it or they could work together, possibly under a co-ordinating hub, as recommended for the sharing best practice recommendation.

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
		and verification process to ensure that it is accurate and useful and to identify if any changes needed to be made. Estimated annual cost: £50,000 – £100,000 for one full-time experienced analyst. NB: The cost is dependent on if a person(s) is already employed in an existing organisation(s) or group(s), and if the group(s) is willing to (part) fund this role or if an analyst needs to be employed. NB: The estimated cost includes all employment costs, including national insurance contributions and pension contributions. NB: Public funding for this type of role may be available, possibly through the UK Shared Prosperity Fund, a UKRI programme or a funding stream such as FIPL.
• Support agricultural businesses to be productive, low-emissions and profitable, including accessing best practice and training. This includes supporting uptake of regenerative farming practices.	• A significant proportion of farm businesses are not economically sustainable. • It will increase due to the phasing out of Basic Payments and proposed changes to IHT. • Some farmers are already investing in precision farming and adopting regenerative farming practices (although the scale and effect is unknown).	Invest in **sharing best practice** through a co-ordinating regional hub or body[58], which can support knowledge sharing on farming, land use and business management. It should be high quality and cover: • Data (see above). • Advice and training (by making farmers aware of what high quality advice and training is available, when and where. The provision of advice and training should be independently reviewed to assess whether it is of sufficient coverage, scale and quality to deliver policy objectives[59]). • Sharing best practice, including through peer-to-peer learning and demonstration projects / farms (possibly through the AHDB). A focus of the sharing of best practice should be on supporting as many farmers as want to engage to develop the traits of higher performing farmers. It should include business management practices as well as practical farming practices.

[58] As for the recommendation on data (the previous recommendation), we have deliberately not been specific in recommending a particular organisation(s) for this as it should be agreed by the sector. There are a number of existing organisations that could do it or they could work together, possibly under a co-ordinating hub.
[59] The advice and training need to include the latest thinking on regenerative and nature-friendly farming.

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
		Investigate the scope with Defra for **more local autonomy / decision making on farming support schemes** in the YNY area (possibly as a pilot / trial). The Farming in Protected Landscapes scheme (FiPL) has been an effective model of localising decision making, with resulting stronger buy-in from farmers and take up of schemes. This approach could be rolled out to the whole of the YNY area, and with local staff responsible for the delivery of agri-environment schemes (and accountable against targets and for co-ordination with other activities, such as Local Nature Recovery Strategies)[60]. <u>Metrics / outputs to measure progress</u> A simple metric is whether a co-ordinating regional hub is established in the area and, if so, how successful it is in supporting farmers. To do this, the hub should survey all farmers in Yorkshire (say once a year) as part of its best practice work on: • How resilient they feel they and their business are. (NB: There should be separate questions about the farm and the farmer). • What advice, training, data, peer-to-peer learning and demonstration projects / farms they have taken that year. • What advice etc they would like. It should be a concise survey that includes questions on farm type, size and location to enable the hub to identify particular local or sector needs. The results should be provided to everyone in the area for discussion and agreement on how the sharing of best practice can be improved. <u>Cost of implementing the metrics / outputs to measure progress</u> The cost of the co-ordinating regional hub depends on whether an existing organisation or group is considered suitable and is willing to do it.

[60] The original version of the Countryside Stewardship Scheme, and its predecessor Environmentally Sensitive Areas Scheme, both had local project officers who were given some responsibility and autonomy over delivery in their areas, which were counties for Countryside Stewardship and specific areas for the Environmentally Sensitive Areas Scheme. The type of local / place-based approach suggested has also been successful in other domains. For example, the JU:MP scheme to get children in Bradford more active started in 2018 as a place-based approach with local people in charge, designing the scheme and working out how to plug into local councils and national organisations. A study of the scheme found that it had increased the activity level of children by an average 70 minutes per week and it is one of the most successful schemes of its type. Source: Chris Boardman, chair of Sport England, on BBC Radio 4 Today programme, 23rd May 2025.

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
		It will require a full-time person whose time is 100% dedicated to collating the data, advice and training and peer-to-peer learning and demonstration projects that are available. They would work with a board / steering group (probably industry and supply chain-led) to assess its coverage and quality and identify any gaps in provision. This role will require someone who is experienced, has management experience, is highly organised and is a good communicator (being able to talk to farmers and multi-national food businesses). This is an exciting position with the scope to make a significant difference to the farming and food sector in the area. The success of the hub will be greatly influenced by the quality of the person who manages it and the support they receive from the board / steering group. Estimated annual cost: £0-£100,000 (dependent on if a person is already employed in an existing organisation or group and the group is willing to fund this role, or if a highly experienced person needs to be employed). NB: The estimated cost includes all employment costs, including national insurance contributions and pension contributions. NB: We have assumed that the members of the board / steering group would not be paid, as is typical for this type of role. NB: Public funding for this type of role may be available, possibly through the UK Shared Prosperity Fund, a UKRI programme or a funding stream such as FIPL.
• Improving connections between farmers, retailers and the public.	• Many farmers feel low in confidence about the future and unsupported by the Government. • Some feel that changes in supply chains could increase their profitability and economic resilience.	Continue to use all opportunities to showcase good news stories on farming and land use in YNY. This could be made a priority for YNYCA's marketing department to coordinate (e.g., produce a press release on one good news story per month). Share regular objective assessments of the Government's work to increase fairness in supply chains and also of the projects / programmes relating to food and farming in the area (such as FixOurFood, The Yorkshire and Humber Climate Commission and North Yorkshire Council's Food for the Future

Themes from plans and programmes	Themes from this report	Opportunities for action and to increase resilience
		work). This could be done through the co-ordinating regional hub (see above). <u>Metrics / outputs to measure progress</u> Set a target of producing one good news story per month. This feels achievable and frequent enough to maintain awareness with the public (and the farming and food sector) but not so large to be undeliverable. To spread the responsibility, this could be coordinated by YNYCA's marketing department but with ideas / stories fed in by a range of existing organisations (including farming, food, research, marketing, Protected Landscapes, environmental, and local food and farming ones). Include the regular objective assessments in the data bulletin that is recommended to be sent to all farmers (see above). This should not be a long assessment (we recommend a third of a page at the most in total) and should focus on key actions (and actions not delivered) and their implications for farmers in the YNY area. The aim is to keep farmers aware regularly of the activity going on and how it will support them. <u>Cost of implementing the metrics / outputs to measure progress</u> This should not be costly to deliver and may utilise (and collate) stories and articles that were already being produced. Estimated annual cost: £0 – £20,000 (dependent on if additional staff time is required to do it by the YNYCA's marketing department or another organisation). NB: This type of production of news stories needs constant vigilance for stories and should become part of day-to-day work. The identification of stories is likely to take more time than actually writing them. NB: It could be co-ordinated with work that existing media channels do on the farming and food sector, if appropriate.

Further opportunities to support the farming sector

1. Support On-Farm Collaboration

- Encourage farmers to work together - sharing equipment, buildings, or even staff can lower costs and reduce waste.
- The Combined Authority could set up local discussion or support groups, where farmers share ideas and solutions.
- Help link smaller farms with bigger ones for shared training, marketing, or renewable energy projects.
- Support new or existing co-ops for selling produce locally or getting better deals on inputs.

Example: A group of beef and arable farms could share a grain storage facility and staff for harvest season.

2. Create a Farming Advice Hub

- Farmers often struggle to keep up with changing rules, grants, and schemes. A local online or face-to-face advice service could offer:
    - Easy, straightforward updates on new policies, funding opportunities and general farming matters
    - Help with grant applications
    - Help understanding environmental schemes
- Make sure the advice is practical, not just policy language - ideally delivered by people with real farm knowledge.

Example: A dairy farm may need help navigating slurry storage rules, while a mixed arable and pig farm may need guidance on SFI management options, but both would benefit from one clear place to get trusted, farm-specific real advice.

3. Staffing Problems

- Many farms cannot find or keep skilled workers.
- Combined authority can help by:
    - Creating local training programmes
    - Supporting apprenticeships
    - Advice on managing staff, e.g. new starter induction, legislation documents, training records management, health & safety checklists.

Example: A poultry farm may struggle to retain trained workers for long shifts, while an upland farm could find it hard to attract staff to remote rural roles, both need access to local training and new entrants, and guidance on how to support and retain staff once they are in the role.

4. Expand Training and Skills Development

- Many farms said they need help training new workers and upskilling current staff.
- Work with colleges and local providers to offer hands-on, rural-focused training and/or work experience, for example:
    - Safe machinery use and managing livestock
    - Business planning and finance
    - Mental health support
    - On-farm practice training
    - Link colleges to farmers who are looking and willing to take on students for work experience or long-term placements
- Develop succession support workshops, helping older farmers plan to pass on the business.

Example: A dairy farm could take on a student placement and train them in milking routines and herd care or a sheep farm could take on a vet student for lambing to gain on-farm experience.

5. Back Farm Diversification

- Many farms are trying to survive by branching out - into tourism, storage, renewable energy, or direct sales.
- Offer business advice and the ability to source funding to get these projects off the ground (although lenders are generally willing to lend to farming businesses).
- Highlight local success stories so other farmers get inspired.
- Offer planning support and guidance - farmers need clear, simple guidance on what is needed for potential projects

and help with navigating the planning process.

Example: A farmer wants to set up a farm shop to sell produce directly to the local community, the farmer will need support understanding the planning rules, how to apply and the legislation requirements as well as help to source funding.

6. Environmental and Carbon Projects

- Support farmers in looking after the environment - improving soil, managing hedgerows, or planting trees.
- Encourage farms to take part in carbon audits or natural capital assessments, showing the value of their land beyond food production.
- Make sure any new schemes (e.g. biodiversity credits or SFI) are clearly explained, with help for those less familiar with digital systems.

Example: While an upland sheep farm may look at peatland restoration and a large arable farm may focus on soil carbon audits; both need clearer guidance and support.

7. Low Trust in Government and Policy Changes

- Farmers feel let down by short-term funding and sudden changes in policy.
- Combined authority support must be long-term, clear, and consistent, showing that farmers are being listened to.

Example: Long-term contracts for environmental schemes, sales or infrastructure would help farmers plan properly.

8. Time Pressure

- Most farmers are too busy to deal with complex paperwork or long application forms.
- Combined authority support should be:
    - Simple, fast, easy to use and targeted
    - Delivered at the right time of year (not during harvest or lambing)

Example: A dairy farm may not have the time to complete long grant forms during calving or silage time, and an arable farm could be inundated with paperwork during harvest, both need support that fits around their busiest times and is simple to act on.

9. Not All Farms Are the Same

- Some farms are more advanced in technological developments. Others are very traditional.
- The combined authority help must be flexible, what works for a large arable farm may not suit a small hill farm.

Example: Digital tools are useful, but only if someone helps set them up or farmers know how to use them.

Conclusion

Farms in the YNY area are already facing a number of significant challenges and they are likely to increase, including from the phasing out of the Basic Payment Scheme, the introduction of the proposed inheritance tax (IHT) changes and from climate change.

Over half of the farms in the area do not currently make economically sustainable profits. That proportion will increase due to the challenges – to 54% due to the phasing out of Basic Payments and to 61 – 73% due to the changes to IHT.

Climate change might have an even bigger effect – potentially reducing total farm business profits in the YNY area by over £400m in a year, so that the sector makes a loss. And this could happen more frequently and become a regular occurrence.

A significant and effective way to increase the financial resilience of individual farms – and so the sector as a whole - is to move more farms into higher bands of economic performance. The top performing farmers earn, on average, over £100,000 more per year than the other 75% of farms. These farms are in a much better position to weather economic and environmental challenges.

The key thing that differentiates low and high overall business performance is agricultural performance – much more so than profits from agri-environment schemes, diversification or Basic Payments (although some farm types are more reliant on them than others, such as grazing livestock farms).

It is possible to improve agricultural performance but it can be complex and challenging. The behaviours and traits of high performing farmers can be adopted by any farmer – if they want to. Some farmers will not want to change what they do and some will not accept that they are in the lower performing band. For those that do want to change, key traits to focus on include:

1. Minimise overhead costs.
2. Set goals and compile budgets.
3. Compare yourself with others and past performance and gather information.
4. Understand your market requirements and meet them.
5. Give each detail the attention it deserves.
6. Have a mindset for change and innovation.
7. Continually improve people management.
8. Specialise[61].

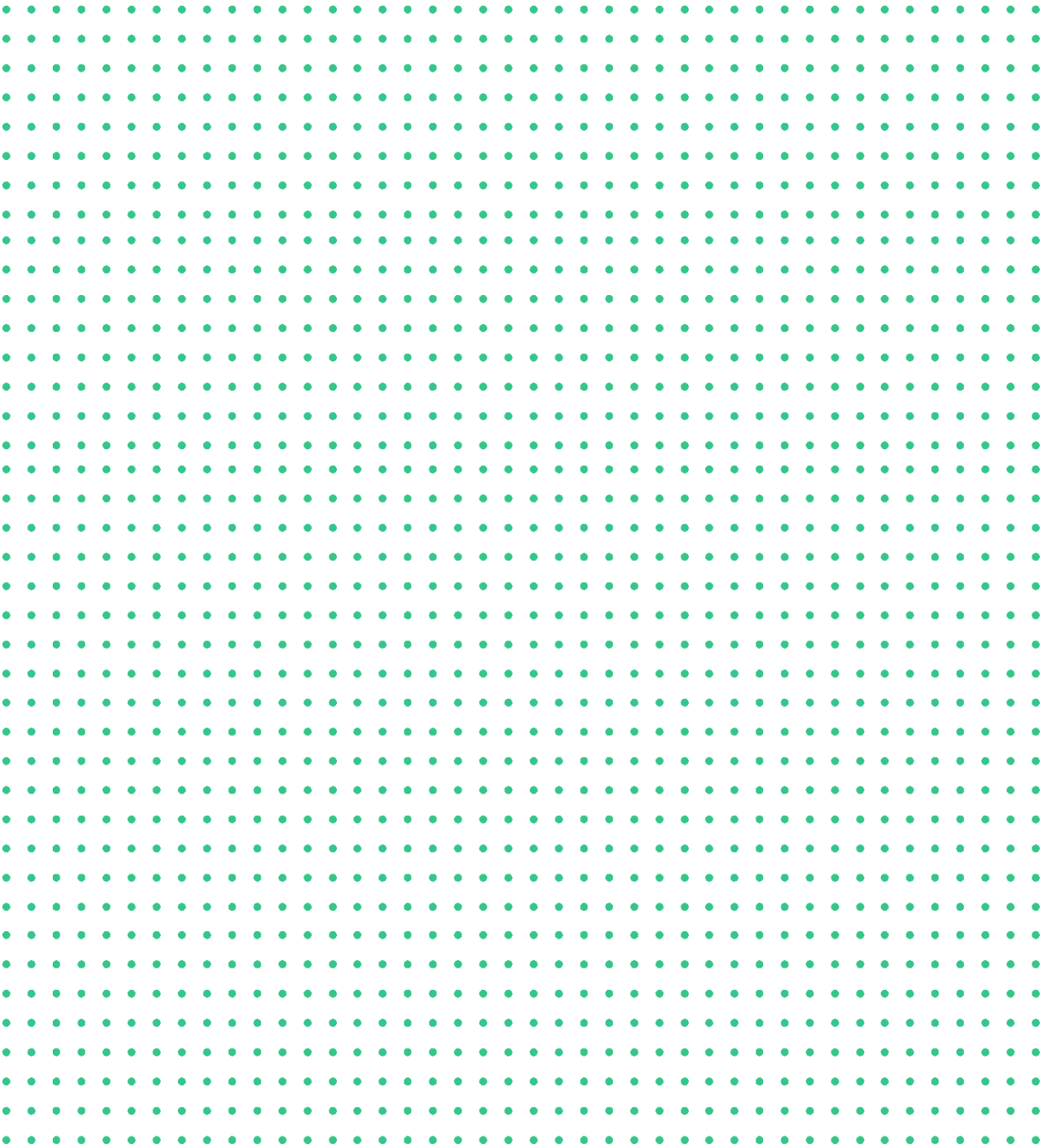
Based on all of the evidence from this study, it is recommended that the YNYCA supports farmers to embrace change and build resilience by:

- Supporting farms to transition towards farming systems that are profitable, low carbon and support nature.
- Enabling knowledge-share and support through the emerging and effective structure of farmer clusters.
- Making robust, independent evidence / data on profitability and a range of other subjects, accessible and publicly available all farmers.
- Investing in sharing best practice on farming, land use and business management through a co-ordinating regional body.
- Investigating the scope with Defra for more local autonomy / decision making on farming support schemes in the area, to increase buy-in from farmers and take up of schemes.
- Using all opportunities to showcase good news stories on farming and land use in the area.
- Sharing regular objective assessments of the Government's work to increase fairness in supply chains and also of the projects / programmes relating to food and farming in the area.

Farmers in YNY want to continue feeding the nation, protecting the environment and supporting their communities. They are not asking for handouts; however, they do need a

[61] Source: https://ahdb.org.uk/knowledge-library/the-characteristics-of-high-performing-farms-in-the-uk. Report by The Andersons Centre for AHDB.

helping hand. The YNYCA can help by building trust, providing consistent support, supporting easy-to-access advice and training, and by collaborating with farmers as partners, not just ‘deliverers’ of Government schemes. By doing so, the YNYCA will help protect the future of farming in the region, for this generation and the next.



YORK & NORTH YORKSHIRE COMBINED AUTHORITY

Review of the state of farming finance and challenges faced

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About us

The York and North Yorkshire Combined Authority has been created by the City of York Council and North Yorkshire Council and is a legally recognised, single body. Our role is to use some of the money and powers, that up to now have been held by central government, and work with local leaders and communities to invest in ways that will help to make York and North Yorkshire a better place for you to live, work and do business.